

BANKING ENQUIRY
FOR THE
CENTRALLY ADMINISTERED AREA
1929-30

Volume IV

EVIDENCE

TAKEN IN THE

DELHI PROVINCE



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**BANKING ENQUIRY COMMITTEE FOR THE CENTRALLY
ADMINISTERED AREAS.**

MINUTES OF EVIDENCE

TAKEN BEFORE THE

**Banking Enquiry Committee for the Centrally
Administered Areas.**

Tuesday, the 18th February 1930.

NEW DELHI.

PRESENT :

Khan Bahadur Diwan **ABDUL HAMID**, C.I.E., O.B.E. (*Chairman*).

Professor **H. L. CHABLANI**, M.A.
Lala **BAL KISHEN**.
Mr. **V. F. GRAY**, M.L.C.

Rai Sahib Kanwar **MOTI LAL**.
L. SHRI RAM (Co-opted member).

Mr. **V. S. MARBALLI** (*Secretary*).

Sir Purshotamdas **Thakurdas** ~~Wt.~~ **Wt.**, C.I.E., M.B.E., M.L.A., Acting
Chairman of the Indian Central Banking Enquiry Committee and
Mr. **V. K. Aravamudha Ayangar**, C.I.E., Secretary, Indian Central
Banking Enquiry Committee, were present for a short time.

Mr. Mohd. Aminuddin Malik, B.A., LL.B., Pleader and Notary
Public, Delhi.

Replies to the Questionnaire.

AGRICULTURAL INDEBTEDNESS.

1. The Usurious Loans Act of 1918 is not availed of in our province. This is probably due to the fact that people and the courts are not fully aware of its existence. A circular to the Judges and the Bar Association in the form of a hand bill should be issued.
2. Interest at 36 per cent., in instalment bonds of the poor, is not considered usurious by the courts.

3. There must be an enactment of legislation in connection with the publication and regulation of accounts of money-lenders. Every money-lender must keep a receipt book in a prescribed form and numbered. He must sign a receipt for every pie he receives. Every half year the debtor must acknowledge the debt through a scribe licensed by the Government. All accounts must be shown in one pass-book and it should be in the possession of the debtor.

4. The mortgages should be conditional mortgages (*Bai bil-wafa*). The duration should be so fixed that after that period the principal and interest together should be equal to the probable price of land at the expiry of the period allowed. If any interest and part payment has been made during the period it should be returned with reasonable interest. The mortgage bank should apply to the District Judge or the Collector for declaration of the possession or for getting possession for the debtor as the case may be on a court fee of Rs. 10.

RURAL CO-OPERATION.

5. The co-operative credit societies in Delhi Province are merely money-lending institutions. In Delhi Province there are societies as old as 12 years but so far have not been able to gain confidence of the public. This is due partly to the management being in the hands of illiterate persons and partly to the small status of the members of the managing committee of the societies. Moreover the society prefers to confine its dealings to its own members in order to take advantage of the arbitration provisions in case of disputes.

6. The relations between co-operative banks and the Imperial Bank of India are very good. Other joint stock banks so far have not come into competition with co-operative banks and are neutral. The co-operative banks have come into competition with individual money-lenders. They do not look with favour the opening of a co-operative society in their area. In some places I understand that money-lenders are taking advantage of these banks. They lend over and above what their debtors have taken from the co-operative society and their loans are repaid when society makes loan to its members. This is due to the fact that the co-operative society lends little and not at the time when loan is much needed by the members.

7. Following are some of the defects of the co-operative credit societies of Delhi Province:—

- (1) Membership is limited to as few members as possible.
- (2) Formation of the society is generally on communal basis (I would not include better living societies in this category).
- (3) There are many societies in certain small villages.
- (4) Much attention is not paid to the habit of thrift and saving.
- (5) Management of the societies is mostly not good or even fair.
- (6) Supervision and teaching by the Department is not what it ought to be.
- (7) Quantity and not the quality seems to be the criterion of the co-operative department.
- (8) Account books of the society are very tedious and as the matters stand at present the working of the society is beyond the capacity of honorary workers.
- (9) The liability of the members is unlimited and social servants and philanthropic persons do not join the societies.

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- (10) Sufficient amount of money is not advanced to needy persons at the right time. This compels the members to go again to the money-lenders.
- (11) The margin of profit is very low especially in urban societies. They borrow at 9 per cent. and lend to members at 9½ per cent. to 12½ per cent.
- (12) No collateral security is taken from the debtor. The debtor borrows money from the money-lender and pledges all his property with him thus leaving nothing or little for the society's loan.
- (13) There are no whole-time paid workers in the societies. It is desirable and good from the business point of view to have paid workers under the honorary workers.

8. It is a tendency of the co-operative department to have as few members as possible. From a theoretical point of co-operation it sounds all right but we have to face local conditions. About twelve Hindu *Jats* or Hindu *Brahmans* or twelve members of one family combine and their society is registered. They do not take any other persons, may be their own neighbour. Their refusal obliges other persons of the same locality or village to form a separate society. If I am not wrong I think in a small village there are as many as nine credit societies. The result is that all are working with small working capital, and are making small profits which cannot afford to pay for the service of any paid whole-time worker. I suggest that one credit society should be started in each village with a large number of members. In this way there will be a good amount of profit which would suffice for the engagement of the services of paid workers. This would help in another very important matter. If the society is composed of one family or of one caste or community it is noticed that the members are very reluctant in helping the liquidator or execution agent in receiving the decretal amount. When the membership is large and is composed of different people this would not happen in most cases.

9. The management of a good society implies keeping clean and up-to-date accounts, enforcing punctual recoveries and taking action against defaulters without any regard whatsoever. My personal experience as President of Delhi Thrift and Savings Co-operative Society Ltd., is that turning out of defaulters is not only beneficial for the defaulters themselves but it is good for the sureties as well and teaches other members a very good lesson. Co-operation in my opinion is not another name for charity but it is business and should be run strictly on business lines. It should help those who wish to behave well.

10. In a country where there is so much illiteracy and want of sense of duty amongst members of a business concern, i.e., co-operative credit society, much responsibility lies on the shoulders of the Sub-Inspectors and Inspectors of the Co-operative Department. The Department cannot shirk its responsibility by saying that their duty is only to guide or advise the society and that the actual working of the society rests with the members themselves. Theoretically, and in places like England and Germany where there is much literacy and where there are many social workers, this is all right but not so in India. In my opinion the Department should not judge the result of their work by quantity but by quality. We should appoint a whole-time paid worker for about 3 villages only. This worker should live amongst the members. He should keep accounts and educate the

members in the principles of co-operation and in the matter of minimising the expenses on marriage, etc. In a word he should work in the spirit of a missionary. I do hope that 3 or 4 big societies will be able to meet the pay of this worker. If need be the rate of loans should be increased from 12½ per cent. to 15 per cent. So long as this rate is equal to, or not more than, the prevailing rate of interest in the locality I would have no objection. The principle should be "good management first and reserve fund and dividend, etc., next". Whatever will be the profit it will remain joint property of the members themselves. No outsider can ever take it. The Inspectors of the Co-operative Department should have good control over these paid workers, especially where the committee is illiterate. Social workers and rich persons of the village do not join unlimited liability societies. Their fear, and legitimate too, is that they incur the liability of the loss on account of defaulting members. If the societies are limited with fully paid-up shares, then rich persons having influence in the neighbourhood will also join the society and will be very helpful in the management.

11. There is another difficulty. People are greatly indebted and loans to them are sanctioned in very small amounts and not at the right time too. In order to save them from the clutches of the money-lenders big amounts should be advanced to a society composed of a big number of members who should pledge and mortgage their property as a collateral security. I know that collateral security is not desired in co-operation but the special circumstances of India require that it should be done so.

12. I am a great admirer of the co-operative movement. This is my firm conviction that if the poor are to make their economic condition better it would be through co-operation and not otherwise. The co-operative officials should work in a missionary spirit and not in an official manner. It is no use to expand the co-operative movement at the risk of bad management.

13. In Delhi Province I was in charge of the Central Co-operative Bank, Ltd., up to December, 1928. There has been no difficulty in financing the societies. In fact we had a large surplus. We began to finance societies of 2 *tehsils* of Gurgaon and brought down our rates of deposits from 7 per cent. to 5½ per cent.

14. The co-operative movement has succeeded to a very little extent in meeting the financial need of the agriculturists.

15. I am in favour of granting more financial concessions to co-operative societies, e.g., special exemption from income-tax to all co-operative societies, and inclusion of debentures issued by Provincial Co-operative Bank in the list of trustee securities. I would also suggest that court fee on letters of administration, probate or succession certificate on the amount of deposit in co-operative societies be exempted.

NON-AGRICULTURAL CREDIT AND INDEBTEDNESS.

16. In urban area the condition of the poor and of the middle class is deplorable. They are indebted to a very large extent. The usual rate of interest is from 12 to 36 per cent. and cases have come to my knowledge in which interest has been charged as high as 2 annas per rupee per month, i.e., 150 per cent. A pleader friend of mine told me that 300 per cent. interest is realised by his client, but suits are filed at 150 per cent. and they have been decreed by the court. There are no banking facilities for the poor and the middle class.

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They have got their jewellery and immoveable property which joint stock banks and even the co-operative societies do not accept as security. This is due to the fact that it is not easy to realise mortgage money through Civil Courts. Take an example, the bank sues the debtor. Suppose the debtor dies. It is difficult for a bank to know the names of the heirs of the debtor. If by chance the name of some heir is omitted the decree is not binding on the mortgaged property as regards his share in it. The heir appears in the court and raises frivolous and sometimes genuine objections which are absolutely authorised by Hindu and Mohammedan law. It takes time to obtain the decree in the first court and even then the bank has to fight in two or more appellate courts at the expense of money, time and vexation. If the debtor is still living then his wife and sons file declaratory suits which take five or six years' time to decide finally. This apathy of the banks drives the people of small means to money-lenders who charge rates of their own liking, according to the need of the debtor.

17. For those who possess tangible security I would like banks to give loans on the security offered. The law of mortgage should be made simpler and the Imperial Bank should advance loans to those banks who do this kind of business against the properties mortgaged by those banks and within a safe margin. The Imperial Bank should take help of an expert in evaluating the properties, *e.g.*, property agent, etc.

18. As regards those persons who cannot offer tangible security, I will suggest that co-operative societies be organised amongst such people and small loans be given. My experience is that poor people if properly tackled are the best men to repay their debts. My remarks given in connection with defects of co-operative societies apply to city societies also.

19. The co-operative movement has not succeeded in helping the small traders and small industrialists. In fact the co-operative department so far has avoided lending to traders for business. It is considered that the loan will be for speculation purpose. Delhi city is full of small industries and they very badly require the help of co-operation, but for one reason or the other the Co-operative Department does not take such interest as they are supposed to be taking in rural co-operation. The co-operative movement is well capable of meeting the financial needs of the small industrialists and cottage industries.

20. In my opinion the co-operative movement in Delhi city should be extended in the direction of formation of thrift *plus* credit co-operative and industrial credit and marketing co-operative societies. There is a large field in this direction and the co-operative movement alone will succeed in ameliorating the condition of the poor.

21. The abolition of stamp duty on cheque is producing a good habit amongst the people and they are now feeling no hesitation in opening accounts in the banks. Middle class population is using cheques. I am not in favour of vernacular script in banking.

22. I support the view that the banking and investment habit in India is of very slow growth. This is mainly due to the fact that there is no sufficient good control over the banks by the Government. The people have little faith in the stability of the private banks. People have faith in the Imperial Bank, but there the yield is very little as compared with what the layman can get if he invests his money in immoveable property. Personally I do not support their mentality, but such are the facts which exist. The other serious objection from the Mohammedan point of view is the alleged prohibition by Islam of taking interest from any source whatsoever. The people

are still under the thumb of *Ulemas* in this matter although very few businessmen and educated persons support the *Maulvis* in this question. Recently amongst Mohammedans a party has grown up which is in favour of taking interest from the bank at least.

23. For the purpose of inspiring more faith in banks, and especially Indian banks, I would suggest that the Government should insist that auditors must give correct valuation of the mortgages after a report from an expert, appointed and paid by the Government on a commission basis. Of course all expenses are to be recouped from the banks.

GENERAL.

24. Co-operation knows no religion, caste or creed. I believe that co-operation is the only movement which is capable of improving the economic and social condition of the middle class and the poor people. All workers in this movement should be absolutely free from communal bias. Whoever be in financial distress and financially backward, must be helped. He may be a high class Hindu, Mussulman, Christian or shoe-maker. I am very sorry to record that in these days the co-operative movement in Delhi Province is not above communal bias. Mohammedans are comparatively poorer and more indebted than their Hindu brethren. They require more attention from the Co-operative Department. But instead, the number of Muslims in the primary societies, in the Central Bank and in the staff of the Co-operative Department is out of proportion to their population. Practically new Muslim societies are not organised. Those already in existence are discouraged in various ways by the unsympathetic staff with the result that they are closing down one by one or their existence is only in name. My contention is that much of the success and failure of a society now-a-days depends on the personality of the Inspector and Sub-Inspector. These officials can let the society prosper if they are kind and sympathetic to it, or they can bring the society to liquidation if they wish to do so. As I have said above co-operation like social service is above caste and religious prejudices, but so long as the present mentality of the two major communities prevails, I must say that in order to help the poor Muslims financially it is very essential that adequate and effective representation of the Muslims be secured in the Co-operative Department. In the same way opportunities be afforded by the Imperial Bank to train and employ if possible a sufficient number of Mohammedans.

25. In order to find out the progress of the different communities in the co-operative movement the number of members of different communities should be shown in the annual reports. This is very easy as is already shown in the annual audit and inspection notes of the societies. It will only be a matter of totalling.

26. In Delhi Province the report of the working of the Co-operative Department is not published. Only a very little gist of it is published in the Delhi Administration Report. The report of the Registrar of Co-operative Societies will not be very long and should be published separately just like the report of the Industrial Surveyor of Delhi.

27. In conclusion, I only want to add that I have been compelled to say what I have written above from an unbiased study of the true state of affairs as they exist amongst the Muslims and the depressed classes. I shall be sorry if any other meaning is read in my proposals.

28. Delhi Province should have a separate Registrar of Co-operative Societies and Registrar of Joint Stock Companies. If need be the Delhi Province may be extended at least for this purpose.

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29. I would also suggest that in order to judge the indebtedness of the different communities the total amounts of sales of landed property and mortgage money etc. should be shown in the reports of the Registration Department.

ORAL EVIDENCE.

30. *Chairman:* How long have you been connected with the co-operative movement in Delhi?—Since April 1921.

31. In what capacity?—From April 1921 to December 1923 as Honorary Secretary of the Central Co-operative Bank, and from 1924 I have been President of the Co-operative Thrift Society and at present I am its Treasurer.

32. Would you kindly explain the constitution of this Thrift Society?—The main principles of the co-operative thrift society are that the members have to subscribe compulsorily every month and that the subscription is fixed according to the income of the member.

33. What sort of persons are members of the society?—Government and private employees, pleaders, traders and teachers. There are also a few lady members. Every one is contributing a sum which is fixed by the by-laws of the society. A man earning a monthly income of Rs. 100 has to pay a minimum subscription of Rs. 4 per mensem, whilst those earning Rs. 75 are to subscribe Rs. 3, those earning Rs. 50 are to pay Rs. 2 and those whose income is less than Rs. 30, annas 8.

34. Would you kindly send us a copy of the bye-laws and other rules of the society for our information?—**I have now got an Urdu copy with me but shall send you an English version later on.**

35. Is the system working satisfactorily?—Yes. If the subscriptions are not paid regularly we charge a penalty.

36. Is there any scope for extension of such societies?—Yes, they will work better than co-operative credit societies. As a matter of fact it has proved to be so when the working of our society is taken into consideration. We don't give loans recklessly. We lend up to a maximum of only Rs. 150 and that on the security of two other members who will stand surety for the member who borrows and only when they have sufficient credit. So, these factors act as a check to reckless borrowing and lending. In a co-operative credit society the president may draw a sum of Rs. 2,000 for himself whilst a member may not be allowed a loan of even Rs. 100. But in this thrift society that is not possible. A member is entitled to take a loan provided he has enough funds at his credit with the society. Along with this facility the member has also to accumulate his funds by compulsory subscriptions every month.

37. How did your connection with the Co-operative Central Bank cease?—That was to a certain extent due to the prevalence of communalism. I was the only Mohammadan member on the Board which consists of 12 directors and I found it difficult to carry on.

38. You suggest legislation in connection with the publication and regulation of accounts of money-lenders—something like the recent legislation in the Punjab?—Yes.

39. Have you considered the fact that all money-lenders are not literate people?—I think they are all literate enough.

39. You don't think they would have to maintain extra staff for keeping accounts?—It might cost them something extra no doubt—say Rs. 15 to Rs. 20 per month.

41. You agree there are money-lenders of all sorts. The smaller among them may not, perhaps, afford to spend Rs. 15 to 20 a month extra?—I think every money-lender can spend this extra amount. In fairness to the debtor they must spend the extra sum and keep correct accounts. In this connection I might be permitted to say this. I have since studied the provisions and working of the Usurious Loans Act of 1918 and find that it is practically inoperative. At the time when the Bill was introduced, one of the reasons quoted by Sir William Vincent in support of the measure was that there were instances where the courts had to decree suits in which interest at 45 and 50 per cent. was claimed. Even now-a-days courts are decreeing suits in which interest at more than 50 per cent. is sometimes claimed. The wording of the Act is that unless the transaction is unfair or brought about by undue influence, the court cannot re-open the case. Such being the case it is very difficult for a debtor to produce evidence against money-lenders who are influential people in their own locality. The debtor cannot find witnesses who could depose anything, even if true, against the money-lender.

42. What amendment would you suggest?—Sir William Vincent proposed three remedies—(1) fixing the rate of interest, (2) enactment of laws on the basis of *damdapat*, i.e., interest should not exceed the principal, or (3) the enactment of the Usurious Loans Act. As matters stand at present, the Act is not applied by the courts. So, I think the time has come to fix the rate of interest permissible according to law and which can be decreed by courts. I don't mind even if it is 24 per cent. or 36 per cent. but some enactment is needed. The principle of *damdapat* should also apply.

43. You are satisfied with the operation of the co-operative movement in the Delhi Province?—No, not as it stands to-day.

44. You think it should be better supervised?—I want better supervision and better staff.

45. Do you think the staff should be more numerous or more efficient?—Both. It is very difficult for a sub-inspector to have a check on all the societies that are situated within an area of 12 to 20 miles. He will not find it possible to visit the societies frequently and check their accounts, etc.

46. Then do you suggest that for a small Province like Delhi there should be a separate Registrar of Co-operative Societies?—Yes, one may be appointed for the Provinces of Delhi and Ajmer-Merwara. The present Circle Registrar who has also the Punjab to look after will not find it possible to look after these Provinces as well.

47. Have you not got an Assistant Registrar here?—No, there is none here except one at Gurgaon.

48. Do you advocate the creation of separate co-operative societies for Moslems?—I don't mind whether separate societies are created or not. All that I say is that those who are in need should be helped.

49. *Lala Shri Ram* : Will you please explain your suggestion contained in your statement under "Agricultural Indebtedness"? You say: "Mortgages should be conditional mortgages. The duration should be so fixed that after that period the principal and interest together should be equal to the probable price of land at the expiry of the period allowed. If any interest and part payment has been made during the period it should be returned with reasonable interest"?—My idea is that if mortgage banks are to be started it should be done only after sufficient safe guards have been provided for the sound working of those banks which will avoid litigation and other expenses.

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50. Am I to understand that your idea is to safeguard the interests of the mortgage banks or the mortgagor?—Not the mortgagor.

51. How would you fix the time limit, supposing the rate of interest is fixed at 12 per cent.?—The period may be about 8 years.

52. Supposing somebody who owns land worth Rs. 10,000 wants a loan of say Rs. 5,000 and the interest is fixed at 12 per cent., what period will you fix for the loan?—The period may be fixed at 8 years. At the end of 8 years the principal and interest will be due.

53. Won't you charge compound interest?—That depends upon the rate of interest fixed.

54. I want you to give us a concrete instance?—In the Co-operative Department we don't charge compound interest even if the period is 8 years.

55. Have you worked out your scheme? The mortgage banks themselves will have to borrow money at 8 per cent. or 9 per cent. interest and you want them to lend out at 12 per cent. simple interest? You have practical experience of having worked the Central Co-operative Bank and you know the nature of its working. If I am not mistaken, at present you are able to borrow at 6 or 7 per cent. and even then you are not able to show much profit in your balance sheets, in any case, you have not been able to put much into the reserve fund. This, in spite of the fact that your dealings are mostly on short term credit only. But in this case you can't expect your money back till after 8 years. How, in that case, will the mortgage banks be able to run?—The mortgage banks can very well raise debentures for that purpose.

56. Do you think it will be possible for you to attract deposits or raise debentures at 6 per cent.?—I am making my suggestions on the presumption that we are able to attract long period deposits at 6 per cent.

57. *Mr. Gray*:—You know even the Government of India are taking loans at 6% now?—I think we shall be able to raise money at say 6 or 6½ per cent. interest.

58. *Lala Bal Kishen*: In the Punjab, the mortgage banks have not been able to raise long term loans at cheaper rates?—You can get it from Government then.

59. Then what net return do you expect for the bank?—No compound interest is charged. On fixed deposits interest is paid only on the day when the amount falls due.

60. *Lala Shri Ram*:—But on fixed deposits interest has to be paid every six months?—I don't think so

61. I myself have deposited money in the bank and I am getting interest every half year?—I too have done so but I don't get interest half-yearly.

62. Then I should sympathise with you.

63. *Prof. Chabiani*:—Then do you mean to say that in the case of this loan which you talk of, interest need be paid only after 8 years?—I don't say that.

64. *Lala Shri Ram*:—I want a concrete instance for the benefit of the Committee which will fully explain your view-point?—The whole idea underlying my suggestions is that the mortgage bank should not be asked to go to a court to get the property sold to enable the bank to recover its dues.

65. Cannot the mortgage bank, if it so desires, go to the court to realise its dues, say after 18 months instead of 8 years?—No, it cannot. The mortgage deed will not permit of that being done.

66. Supposing the market value of land falls?—The bank will have to make adequate provision for such contingencies beforehand. I have no objection if you reduce the period and make it say one to four years, if necessary. I don't mind that.

67. What would you suggest?—Any period may be fixed. You may fix it at 3 years.

68. That is much better. You are now on safer grounds?—I don't want these mortgage banks to run on a charity principle. It should work on business lines. There are of course the co-operative societies and individual money-lenders and the borrower can choose that which he considers best.

69. Will you give the same facility for realising money to a private money-lender as well as to a land mortgage bank?—I don't want any further privileges given to them. So far as I know, the land mortgage banks in the Punjab go to arbitration to realise their dues in cases of default and then to the civil court for the sale of property.

70. The law as at present stands is more favourable to the mortgage bank than to the private money-lender?—I agree. I am only talking about co-operative mortgage banks.

71. Your idea is that these mortgage banks should advance money only to their members?—Yes.

72. Supposing one particular member who has taken a loan fails, then what will happen?—His property can be attached and sold.

73. And if the sum realised is not enough to cover the loan, then?—The other members in the society will suffer.

74. Will you limit the deposits, in principle, to the paid up capital? Supposing the capital paid up is one lakh, then will you say that the deposits should not exceed that amount?—No.

75. You will be prepared to risk the depositor's money to any extent, is it?—That is the depositor's look out. A co-operative bank can accept deposits to the extent of eight times its paid up capital plus reserve fund.

76. May I put it to you that when you made this suggestion about mortgage banks you did not bestow much thought over details?—I have not gone much into details. Experts may be appointed to assess the value of the property as a basis for the banks to lend out money.

77. It is only your pious suggestion?—I don't say it is a pious suggestion. All that I am particular about is to see that it should not be necessary for mortgage banks to go to courts to realise their dues by the sale of the property of their defaulting members.

78. Will you give the same facilities to a private money-lender or banker?—No. The accounts of co-operative societies and banks are regularly audited and checked under Government supervision and so there is no possibility of any fraud being committed. This, however, is not the case with a private money-lender.

79. Supposing a private banker submitted his accounts to an auditor appointed by Government, then will you have any objection to give him the same facilities as you would give to a mortgage bank?—I don't see any reason why it should be done, because mortgage banks will themselves serve the purpose well.

80. Even at present we find that the borrower goes to a private banker instead of taking advantage of the cheap *takavi* loans, because he finds it more suitable to him to go to a private money-lender. My point is,

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why don't you give more facilities to the borrower than limiting him to the co-operative bank?—I cannot see what better facilities will be provided for a borrower by a private money-lender than the co-operative bank.

81. Are we out to kill the individual banker or are we out to help the borrower?—Of course, we are to help the borrower.

82. I will give you a concrete example. Supposing I want to purchase sugar, I go to the *bazaar* and find out the price and I naturally go to that man who sells it the cheapest. But if there be no competition in the market and there is only one merchant dealing in sugar then I will have to accept his price because there is no other merchant to go to. Similarly, if there was a co-operative bank and a private money-lender both enjoying the same privileges and facilities, then don't you think there will be more competition?—I agree, but in the case of the co-operative bank, the man gets something in return in the long run.

83. *Prof. Chaudhri*: In what way except perhaps a lower rate of interest?—That is a good thing by itself.

84. *Lala Shri Ram*:—You say many of the societies in the Delhi Province limit themselves to their own community, if I may say so. And then you mention certain advantages that would accrue if these societies were not limited to the same community. How do you think it will be possible for a certain community to take as members persons from whom there is no possibility of realising money?—They should not take such men as members. We don't want to force them.

85. Then how would you achieve your object?—The Registrar of Co-operative Societies could enforce it.

86. You have a grievance against these petty societies that they do not have more members. What means would you suggest to attain that object?—If there were more than one society in a village, they should all be amalgamated.

87. Am I to understand that you are against the principle of unlimited liability in these co-operative societies?—Yes.

88. Then you advocate that co-operative societies should be worked on the principle of limited liability?—Yes. If a member wants to take a loan he will have to produce two other members as sureties and all the three should be responsible for the loan.

89. *L. Shri Ram*:—The only object of having an arbitration and realisation by easy means is that power could be given to the Central Co-operative Bank or any lender, if the whole trouble, as you suggest, is that the whole basis of the Central Co-operative Bank that they can realise their debts in a much easier way than an ordinary banker?—And along with this, the profits are not distributed, some of which have to be kept in reserve.

90. What is the lowest rate of interest which is charged by these institutions from their members in the Punjab?—In Delhi it is Rs. 9/6/0 per cent. per annum, the lowest, from the members, and that is only for the season. Interest will be charged for the days the money is used by the members.

91. Not for the season?—No.

92. But if the same facilities were given to private bankers for realisation?—The idea of co-operation is to build up a reserve of their own for the purposes of bringing down the rate of interest.

92. And the result has been that the lowest rate is Rs. 9/6/0 per cent. per annum but if the same facilities were given to a private banker,

don't you think that he would be satisfied with a much lower rate than Rs. 9/6/0 per cent. per annum in every case?—But there is a lot of difference between a money-lender and a co-operative society. The money-lender, whatever he does, does it for his own benefit, while in the case of a co-operative society, we have simply to look to the interests of the borrower.

94. But if the borrower can borrow money at a cheaper rate and if the same facilities were given to a private banker as those available to a co-operative society in respect of recoveries, why should you object to it?—But how could it be.

95. That will be a question of practical politics. Supposing we fix the rate at 9 per cent. per annum and get his (private banker's) accounts audited by an auditor appointed by the Government, will you give him the same facilities as those afforded to the Central Co-operative Bank?—To-day that rate is Rs. 9/6/0 per cent. per annum, but after 2 years it will go down to 8 per cent. or 7 per cent. or 6 per cent., and in time it will be practically *nil*, or say, 4 per cent. That rate of 9 per cent. should not stand for all time; that can be changed from time to time.

96. Will you also insist upon the money-lender sharing the same liabilities as the co-operative societies?—There is no question of liabilities at all. Rates and liabilities go together. Insistence of Government auditing is a liability; insistence of keeping accounts in a proper form is a liability, and insistence that he should be satisfied with a reasonable rate of interest, and that he must have a reserve fund, etc.

97. Why should you have a reserve fund at all?—If the Government gives facilities to co-operative societies, it is not giving more facilities for individual benefit.

98. There is no question of individual benefit at all. The sole condition of this reserve fund is to bring the rate of interest down for the benefit of the poor, and if the private banker advances money at the same low rate of interest at which the co-operative societies advance, and, let me put it, if he gives the same terms to the borrower as a central co-operative society itself, will you give him the same facilities or not?—I don't, unless the banker puts a certain amount in a separate reserve fund.

99. What for?—Just to reduce the rate of interest.

100. But he will advance money at the same rate of interest at which the co-operative society does; that is one of your conditions?—So far as the borrower is concerned, when he is on exactly the same basis as when he borrows from the co-operative society why should he be not given the same facilities.

101. *L. Bal Kishen*: The whole of his property is his reserve fund?—Not reserved for others' benefit, but for his own benefit.

102. *L. Shri Ram*:—You have not again been able to tell us how you would force these societies to take persons as members whom they don't want?—I have no means to suggest.

103. You say under paragraph 11 "the margin of profit is very low especially in urban societies. They borrow at 9 per cent. and lend to members at 9½ per cent. to 12½ per cent. No collateral security is taken from the debtors. The debtor borrows from the money-lender and pledges all his property with him thus leaving nothing or little for the society's loan". What is it that you have in mind there?—There must be some reasonable margin between the borrowing rate and the lending rate so that they may accumulate their reserve.

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104. In one place you have suggested that the rate may go up to 15 per cent. The position is that borrowing is at 9 per cent. and lending at 12½ per cent., and you are prepared to increase it to 15 per cent., and with all the facilities for the realisation of money you would have no objection if the rate was increased to 15 per cent. or even higher?—If the accounts are kept properly, I have no objection.

105. Do co-operative societies keep accounts properly?—In certain cases all the members are illiterate. They want some paid hand to keep their accounts.

106. And for that purpose you suggest that for three villages there should be one secretary who should also be an accountant? In any three typical villages how many societies are there?—In three typical villages there might be at present not more than six societies.

107. But there are as many as nine. So that there is a possibility that this accountant may have to deal with 20 societies, and you think that one accountant will be able to keep accounts of 20 firms?—They have no dealings daily.

108. But they do borrowing and lending?—Not daily.

109. And you also want the accounts to be kept in English?—No, in vernacular.

110. If they are kept in Hindi, you have no objection?—No.

111. What do you think should be the pay of this clerk who will be engaged to keep the accounts of 20 societies?—Rs. 20 or Rs. 30; he will have to work under the supervision of a sub-inspector or inspector of the Co-operative Department.

112. I think your ideas about wages are very low indeed. I doubt very much if a Hindi accountant can be had for Rs. 75 even who has to keep the accounts of 20 firms?

112. (a) *L. Bal Kishen*: Experience in the Punjab has shown that they have proved a great hinderance.

113. *L. Shri Ram*: Cost is the main thing?—I think Rs. 30 will be quite sufficient.

114. What do you think will be the capabilities of these persons who shall have to go from village to village perhaps every day?—The villages will not be very far off.

115. Will this man, who shall have to run about three villages, be a good accountant?—If there is a member of the society to do this business, there is no need to engage an accountant.

116. But at present the members are illiterate?—I am not against the wishes of the members, if there are members in the societies who can look after the accounts.

117. You say that it should be the duty of these inspectors to create a habit of thrift. On page 4 of your memorandum in the last paragraph you say, "People are greatly indebted and loans are sanctioned to them in very small amounts and not at the right time too. In order to save them from the clutches of the money-lenders big amounts be advanced to a society composed of a big number of members who should pledge and mortgage their property as a collateral security". The co-operative societies I understands cannot take this sort of security?—They can, but generally they don't.

119. Do you think the rate of interest goes up or goes down according to the amount of money available?—Yes.

120. You were manager of the Delhi Co-operative Central Bank. You got more money from the Delhi City?—Yes, from Delhi City.

121. You remitted that money to places outside Delhi?—Yes.

122. Were you working in the interests of the Delhi people in that case?—The money which we got from depositors was that money which could not be lent to individual members.

123. It was the money from Delhi and it was sent outside Delhi. Did not that go against the interests of the Delhi persons?—It could not have been otherwise. For example, there was the money of the District Board; it could not be utilized for Delhi; it helped the poor somewhere else.

124. You have made some complaints about the Mohammadan societies in Delhi, and of course most of these complaints are against the Department with which I am not concerned. Will you tell me what steps you took when you were manager from the beginning and up to very recently?—I could not take any steps.

125. You being a Mohammadan, were elected entirely by Hindus. As a matter of fact when you were first appointed as Secretary, it was by a majority of the votes of Hindus. You had no grievance against the Hindus. Later on you always had a majority of Hindus on your Board?—In those days the non-Hindu element was sufficient.

126. How many Hindus were there?—Practically equal in the beginning.

127. What do you mean?—The number of Hindus and non-Hindus was equal.

128. No, the number of Hindus was more than the number of Mohammadans?—It was practically equal. In the first year the total number of the members of the managing committee was 10, out of which five were Hindus, 4 Mohammadans and 1 Christian.

129. I am not asking about Christians, but about Hindus and Mohammadans. Christians are neither Hindus nor Mohammedans. I do not think Mr. Gray would ever care to become a Hindu or a Mohammadan?—The subsequent elections eliminated the Mohammedans.

130. The fact remains that there were 5 Hindus and 4 Mohammedans. So far as you are personally concerned you had no complaint against the Hindus?—No.

131. You suggested the names of accountants and others who were also Mohammedans and were not objected to?—Later on they were objected to and they had to resign.

132. I was a Director for a long time on your Board and whenever you suggested any person to be taken on your staff from a *chaprasi* to an accountant, he was always a Mohammedan and was never objected to?—Yes, but there was no objection.

133. My question is that so long as I can remember, whenever you wanted a member on your staff, you always put up the name of a Mohammadan and he was never objected to?—No, but there were Hindus also.

134. Not that I can remember of?—May be, after you.

135. That may be so. How many societies have you got in which there is a majority of Mohammadans and how many in which there is a majority of Hindus in villages?—I think the number of Mohammadan societies will not be more than 40.

236. And how many societies are Hindu societies?—The Hindus' societies are about 200.

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137. *Prof. Chabiani*: The total number of societies is 234?—You may subtract the number of Mohammadan societies.

138. *L. Shri Ram*:—These are mainly in the villages?—In the city also.

139. I think there are only two or three Mohammadan societies in the city?—I do not know the exact number of societies.

140. Roughly?—There are about 20 or 30 societies in the city.

141. About 200 societies are village societies?—Yes.

142. What is the population basis of Hindus and Mohammadans in rural areas?—I am taking the whole Province.

143. I am asking you a question and you will have to give a reply to that?—In rural areas the Hindu population is 1,54,000 and the Mohammadan population 27,000.

144. The Hindus are six times as many as Mohammadans?—Yes.

145. And the proportion of the societies is very nearly on the same basis?—Yes.

146. So, you have no grievance at all?—But there is no expansion of Mohammadan societies.

147. As conditions exist at present, you cannot raise an objection?—I am taking the Province as a whole; not dividing urban and rural areas.

148. The majority of the societies are in the rural areas and you have no grievance against the number of societies?—I have a grievance as to the way in which they are looked after.

149. I am asking about the number of societies?—No grievance in that respect.

150. What are the deposits of the Central Co-operative Bank in Delhi?—That could be ascertained from the balance sheet. The last balance sheet gives the amount of deposits as Rs. 12,54,000.

151. How much of these deposits is from the Hindus and how much from the Mohammadans?—This year I have not calculated.

152. Last year?—Sometime in 1925-26 I had calculated, and they were practically equal, leaving aside the deposits of the District Boards and Municipalities.

153. I do not want figures of Municipalities and District Boards. You are not sure even about 1925 and 1926; I would like to know what the oldest figures are?—I cannot give these figures.

154. You could send these figures?—You may ask the Secretary.

155. When you were in financial difficulties, do you remember that a Hindu gentleman in Delhi offered you a large sum of money on very generous terms?—Yes.

156. Did any Mohammadan gentleman offer if not on such generous terms, a little less?—One Mohammadan gentleman gave a large amount free of interest.

157. That does not concern us, because Mohammadans do not take interest. Possibly he considered our society to be safe. So we cannot say whether his object was the safety of his own money or to benefit us?—In times of difficulty we approached him and got the amount free of interest.

158. He would have charged us interest if he could?—Yes.

159. You were saying something about some grievances. Will you let us know what those grievances are against the societies?—So long as there was a Mohammadan circle sub-registrar, the majority—rather, practically all except 10 or 12—were organised in his days. After him for the last five years only ten societies have been organised and they are not looked after very well, with the result that they are going down and closing down one by one.

160. That complaint is not because a particular person happens to be a Hindu or a Mohammadan, but because that very person is inefficient?—No, but if there is a Mohammadan sub-inspector or inspector, he will pay more visits to Mohammadan societies than a Hindu, because social habits will compel him.

161. *Chairman*: Therefore a Christian should be appointed, so that he may look after both Hindu and Mohammadan societies, or you want Hindu inspectors for Hindu societies and Mohammadan inspectors for Mohammadan societies?—There should be Hindu and Mohammadan inspectors, and after two or three years their circles should be changed in the interests of both the communities.

162. *L. Shri Ram*: If the population is 1/7th and 6/7ths how can you expect the Government to appoint half the number Hindus and half Mohammadans? Would the Government be justified?—I have suggested it as a solution.

163. How many inspectors have so far been appointed, changed and transferred?—There are two inspectors in all and they have all been Hindus.

164. Has any Mohammadan sub-inspector or inspector been dismissed for grave charges against him?—I do not know.

165. I understand two had to be dismissed. Were they, or were they not?

166. *Chairman*: It might raise the discussion to a high level. L. Bal Kishen belongs to that Department and I would ask you kindly to leave this out.

167. *Prof. Chabiani*: I would like to dispose of this last point first. Are you aware that three Muslim sub-inspectors were transferred for inefficiency and two of them had to submit their resignations?—I know of only one.

168. Are you aware that out of 35 urban societies 11 societies contain a majority of Muslim members?—I am not aware.

169. Are you aware that in addition to these 11 societies there were two other Mohammadan societies which have been liquidated?—I do not know.

170. Are you aware that there are 28 societies in rural areas in which the Mohammadan members predominate?—May be.

171. Are you aware that from the point of view of recovery the societies are the lowest?—I have no personal knowledge.

172. In how many villages in the mofussil areas are Mohammadans in the majority?—In the Kutab area.

173. In how many villages out of the total?—I do not know.

174. Let me pass on to your interesting picture of the urban credit conditions. From what you tell us, I find that the rates of interest in the urban areas are higher than in the rural areas?—I have no knowledge of the rural areas.

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175. You say therein that the rates are 150 per cent. to 300 per cent. These are certainly unconscionable rates?—Yes, in the city these rates are charged.

176. Obviously then whatever deposits may be available for investment in the city, there is urgent work for them in the urban areas in view of the fact that the prevailing rates of interest are as high as 150 per cent. If the conditions are so bad, then according to the proverb "charity begins at home", whatever money is available for investment in the urban areas should be used there in order to lower this high rate of interest, as any diversion of capital from such urban to rural areas is undesirable as it would tend to raise the rate of interest still higher up?—Yes.

177. If this is the state of affairs, there is no justification for diverting the deposits available in Delhi to financing people outside the Delhi Province?—I also want that more co-operative societies be started in Delhi.

178. It may be co-operative societies, it may be joint stock bank, it may be any thing; my point is this, that if these conditions actually exist in the city area, there is no justification whatever for diverting Delhi savings to areas other than Delhi province?—Yes.

179. I pass on to the rates of interest which you mention. You have just now said that you have no personal knowledge of the rural conditions; so that what you have said is based absolutely on hearsay?—I have said whatever came to my knowledge.

180. That may be based on isolated cases, but you have no general acquaintance as to what the actual rates of interest are?—I have no personal experience, but what I have stated is based upon law suits.

181. Will you give me a list of the law suits showing the *actually realised* rates of interest?—I do not know.

182. I now pass on to your suggestions about some kind of regulation of money-lenders' accounts. You use the words "every money-lender". Will you include agriculturist money-lenders also?—Yes.

183. Will you include persons who do money-lending occasionally?—Yes.

184. Even widows who occasionally advance loans on the pawning of ornaments?—Yes.

185. Will you include traders who give credit on commodities?—No; he keeps his *bahi khata*.

186. Do you know that it is the general practice among the business community to give commodities on credit and charge a small rate of interest after a short while?—Yes, I think so.

187. So that every retail trader will come under the purview of your regulation?—Yes.

188. Are you aware that the money-lender does a considerable amount of retail dealings? He gives commodities on credit, and supplies all the necessaries of life in the village?—Yes.

189. Is he generally a small man or a big man in the village?—Much better than many.

190. Is he a man who pays income-tax?—Most of them do not pay income-tax.

191. Do they keep an accountant?—No.

192. What is the general work of the village money-lender?—I cannot say.
193. According to you he must give a receipt for every pie received in every case?—Yes.
194. Will the expenses of the business not go up?—They may go up a little.
195. Why do you want that in the case of even literate borrowers there should be this system?—Because the money-lender has got his account books.
196. But in the money-lender class you have now included all sorts of persons?—Only those who lend money on interest.
197. Even the trader who gives commodities on credit charges interest on the amount outstanding?—Yes.
198. What I want to know is that in the case of literate borrowers who know sufficient arithmetic to understand simple calculation, why do you want any kind of restrictions on the lender?—My experience is that repayments are made towards the loan, but the borrower is not given credit.
200. You mean to suggest the borrower is generally an honest man and the creditor is generally dishonest?—But there are cases which necessitate
201. But the majority of the business community function on the basis of trust and honesty. It is only in very exceptional cases that dishonesty may be practised?—Yes.
202. You will apply this regulation to rural as well as to urban areas?—Yes.
203. Are you aware that the majority of the borrowers in this province are urban and not rural?—There are both.
204. I say that since the majority of the population is urban, the majority of the borrowers must also be urban?—Yes.
205. Do you suggest any thing to protect the honest creditor in matters of recovery?—His remedy is in the courts.
206. You know as a lawyer how long it takes to recover money especially in mortgage suits and execution proceedings?—It takes a long time.
207. You have proposed nothing to protect the honest creditor in these matters. Should he not have facilities of recovery and more speedy remedy in the law courts?—There is no possible remedy.
208. You have given it up then as a hopeless job?—Yes.
209. Are you aware that there is the insolvency law which is generally believed to have made it easier for a man to declare himself insolvent?—Yes.
210. If you were to put these restrictions on businessmen, you would be restricting the number of people who lend money, do business on credit, because some at least of these persons would not be able to conform to these regulations?—They will put their money in the banks.
211. Are you aware that as a matter of fact the village money-lender is diverting part of his capital to the city now?—I am not aware.
212. Would you not deprecate a state of affairs under which the capital of the village areas came to be invested in the urban areas, because there will then be scarcity of capital in the villages?—Yes.

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213. I pass on to what you say about the co-operative movement of which you have so much experience. During your time as secretary you were unable to utilise all that you had got in the Central Bank from various sources as deposits in financing affiliated societies?—Because more societies could not be formed.

214. You actually could not utilise the deposits in financing the affiliated societies?—Yes.

215. In 1920 you asked for the special permission of the Registrar to finance societies in Balabgarh and Palwal Tehsils of Gurgaon?—Yes.

216. Will you kindly look at the balance sheet of your Central Bank dated 31st August 1927? The loans of the Central Bank to Delhi co-operative societies amount to about 8 lakhs, and on the other side you find the investments in Government securities to the extent of Rs. 2,98,000; cash balance Rs. 70,000 odd; loans to other Central Banks Rs. 77,734; loans to outside co-operative unions Rs. 58,375. The total of these outside investments comes to about Rs. 4,34,000, which means that 1/3rd of its total working capital was not utilised for the Delhi co-operative societies?—But investment in Government securities was necessary.

217. It may be necessary for your safety, but my question is that out of the total working capital clearly 1/3rd was not utilised in financing Delhi co-operative societies, for financing which the Central Bank was created?—Yes.

218. You find that from 1924 this tendency had been growing up steadily?—Yes.

219. Let us pass on to the balance-sheet dated 31st August 1928. The loans to co-operative societies of Delhi amounted Rs. 7,89,825. On the other side Government Promissory notes, loans to other central banks and co-operative unions, fixed deposits with the Punjab Provincial Bank, all amount to Rs. 4,50,211, i.e., 36·4 per cent of the working capital. If you add cash balance to it, it makes a total of Rs. 4,98,469 which means 39·5 per cent. of the total?—Yes.

220. If you turn now to the year 1929, once again on the same basis, loans to co-operative societies amount to Rs. 9,76,209, cash balances, Government promissory notes, deposits with and loans to outside co-operative banks, unions, etc., together amount to Rs. 3,88,439; which means more than 28·4 per cent. of the total working capital. And yet urban conditions of credit called during these very years for the full utilisation of these funds in the city?—But that was necessary for us to do.

221. But so far as the credit conditions of Delhi urban areas are concerned because of prevailing rates of interest, there was ample room for utilising the money?—Yes, but more co-operative societies were not organised by the Co-operative Department.

222. Whatever co-operative societies were organised, you could not lend to them more than what you actually did advance?—Yes.

223. I pass on to your deposits as shown in the same balance sheets. If you take the total of 1929—fortunately there I find that the Registrar's report mentions for this year some details which are not contained in the balance sheet—you will find that 29 per cent. of the total deposits came from local bodies?—Yes.

224. The total deposits from members were only Rs. 66,000, which means only 5·6 per cent. of the total deposits?—Yes.

225. If you add the local bodies, official institutions and minors, the total comes to 42·2 per cent. of the total deposits?—Yes.

226. So, your ability to attract deposits from members is to the extent of only 5·6 per cent. of the total?—Yes.

227. Will you turn now to the total deposits of 1928 again? The deposits of members in societies was only Rs. 1,70,945, which means 14·2 per cent. of the total. That means that 85·8 per cent. came from outside, i.e., from non-members?—Yes.

228. If you take the total deposits of 1927, you find that the members, societies and Central Banks contributed towards this item altogether only Rs. 1,59,972, while non-members deposited as much as Rs. 9,72,291?—Yes.

229. One other fact emerges from this scrutiny. The proportion of members' deposits has actually declined in 1929?—As compared to 1928.

230. Also the aggregate has declined?—Yes.

231. Now I turn to your urban societies. In the case of urban societies the total deposit for 1929 was Rs. 60,000 of which Rs. 57,000 represent the members' deposits as is mentioned in the Registrar's report?—I have not got that copy.

232. Are the deposits in primary societies in rural areas negligible or substantial?—Negligible.

233. The bulk of the money in the central bank represents urban savings rather than rural?—Yes.

234. To what do you think was your power to attract deposits due?—Unlimited liability.

235. Let me put to you all the possibilities before you give me your opinion as to which of these was the major cause of deposits. Was it due to the fact that the public believed that your primary societies were working soundly, although the members were all illiterate? Was it due to inherent soundness of primary societies because the public thought that those to whom these societies gave money had sound security to offer? Was it due to the control of the Registrar and his staff? Or was it due to the general feeling that Government was behind the movement. Which of these was the major factor?—The belief that it was being backed by Government.

236. And your success was partly due also to the fact that you offered higher rates of interest on deposits than any joint stock bank?—In the beginning only.

237. You were offering higher rates of interest on deposits, though part of the money attracted by deposits could not be utilised in Delhi?—Yes. But we could not help it.

238. Yes, you actually requested the Registrar to give you permission to lend to Balabgarh, etc., in Gurgaon. In other words, though you could not utilise the money in financing Delhi itself, you were still offering higher rates of interest for some time?—That was our request to the Registrar.

239. My point is that you were offering high rates by taking deposits from the investing public here and not being able to utilise it in the Delhi Province?—There is some misunderstanding about it. The majority of our deposits belong to District Boards and Municipal Committees. These could not be invested in this way, but in banks.

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240. Why did you offer then a higher rate of interest?—We thought that these deposits were practically permanent. At that time we offered 7 per cent., but now we have lowered these rates after two years to 5 per cent.

241. I have taken you to your balance-sheets year by year. Altogether it is quite plain that though some part, and a considerable one, of the money you could not utilise in financing Delhi co-operative societies, you were still having more deposits at higher rates?—Yes.

242. Let me come now to your own capital. What is the usual margin between the borrowing rate and the lending rate of the Central Bank?—Between 2 and 3 per cent.

243. And yet your dividends have never been higher than 9 per cent.?—Because the expenses are very high, and according to the bye-laws we cannot distribute more than 9 per cent.

244. Sometimes you have been paying lower dividends?—Only last year.

245. In the first year you did not pay anything?—Because the Bank had just started and we could not make any profit.

246. Since 1920 there have been years in which you have been paying lower dividend?—In one year we could not pay any dividend.

247. *L. Shri Ram*: Eight per cent. one year and nothing for some years?—Yes, 8 per cent. in one year in the beginning.

248. *Prof. Chabiani*: Will you kindly turn to the balance sheet for 1928-29. You find that you transferred to the general reserve fund only Rs. 3,950 as the annual addition to your reserve, which works out to a percentage of '28 on the working capital of 14 lakhs?—Yes.

249. In 1927 you transferred only Rs. 2,800 to the reserve fund, which works out at a percentage of '21 on the working capital?—Yes.

250. In 1926-27 you have transferred only Rs. 2,250, which works out at a percentage of '18 per cent. on the working capital of 12 lakhs. So there have been very small annual additions to the reserve?—That is fixed at 25 per cent. of the total profit.

251. Will you please look at your total general reserve up to the 31st August 1929? It is only Rs. 14,500, which means only 1.4 per cent. of the total liabilities amounting to 14 lakhs. On the 31st August 1928 your total general reserve is only Rs. 10,550 which means less than '8 per cent?—Yes.

252. On the 31st August 1927 your general reserve was Rs. 7,750 which means '6 per cent. of the total liability amounting to 12 lakhs?—Yes.

253. So, considering the period from 1921 to 1929, still your total reserve as compared to your liabilities has been small all through?—Yes.

254. Let me take your cost of management. In the balance sheet of the 31st August 1923, the cost of management is put down at Rs. 1,715 against the assets which amounted to Rs. 4,41,000, out of which loans to societies amounted to Rs. 4,13,346?—Yes.

255. Will you turn over to the year 1928? Your cost of management is put down at Rs. 7,884, and your assets were Rs. 12 lakhs odd, of which Rs. 8,42,000 were loans to societies which means that in these specified six years the expenses have increased six times, while the business in loans advanced increased by only 100 per cent.?—Yes.

256. Now leaving aside the Central Bank, let me take up the general movement. Are you acquainted generally with the movement of co-operation apart from the business of the Central Bank in Delhi?—Yes, I think, I am.

257. What is the margin of difference between the borrowing rate of the Central Bank at one end and the lending rate to the members of societies at the other end?—Between 5 to 7 per cent. at the one end and $12\frac{1}{2}$ per cent. at the other end.

258. Which means a margin of $6\frac{1}{2}$ to 7 per cent.?—That has decreased only last year.

259. It is generally between $6\frac{1}{2}$ per cent. and 7 per cent.?—Yes.

260. In 1923 the loans amounted to 4 lakhs to the society; in 1928 about 8 lakhs. Taking the average as 6 lakhs, a margin of 7 per cent. would give you Rs. 42,000 as profit. Between six years it ought to be Rs. 2,52,000?—Yes.

261. Apart from these 8 lakhs, there were some investments in Government securities, which also gave you $\frac{1}{2}$ per cent. profit?—In the later days the income from securities was practically equal to the interest paid or a little less.

262. On the whole you don't expect any profit has been paid on that?—No.

263. Rs. 2,52,000 ought to be somewhere?—They are in the societies themselves.

264. I have taken only 6 years into consideration. The movement was started in 1919 and I am entitled to assume that about 3 lakhs or so ought to have been secured as profit on this account and that this amount ought to be shown somewhere in the reserve. But your central reserve shows only Rs. 14,000?—Yes.

265. Do you know what the Reserve Fund of the societies is?—I don't know the figure.

266. Do you think it will be more than that of the Central Co-operative Bank's?—It must be so.

267. Double?—I think more than double.

268. How is this society's reserve invested?—In the societies themselves.

269. The co-operative movement aims at lowering the rates of interests?—Yes, amongst its members.

270. If a member was borrowing at 18 per cent. from an outside money-lender and if the society lends him at 12 per cent., then the 6 per cent. interest is a distinct saving to him?—But he spends it away in ceremonies like marriage, etc.

271. Have you not been able to control this to any appreciable extent?—No.

272. Has the co-operative movement really lowered the real rate of interest in the vicinity. I mean the actually realised rate?—I don't think so.

273. Has the movement been able to reduce the total borrowings of the individual members?—I can't say.

274. Could you give us aggregate figures for liquidated societies?—I have no records.

275. Do you think one of the aims of the co-operative movement is mutual help and mutual control?—Yes.

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276. Has it succeeded so far as mutual control is concerned?—I don't think so.

277. Are there any means available to the Co-operative Central Bank to control the use of the money which the societies borrow from it?—No.

278. You don't determine the *kistbandi*?—In the beginning we used to do so but now the Department does it.

279. The Co-operative Central Bank does not know the purpose for which the loan is advanced?—Nothing except what is stated in the application for loan.

280. Have you any hand in determining the *haisiyat* of the members?—It is the duty of the Central Bank, but in practice it is not done.

281. Has the percentage of arrears of outstanding loans increased or decreased during the last 5 years?—That is a matter for the Department to say. I don't know.

282. But surely the arrears of the societies must have increased?—Yes, during the last 2 years there have been substantial arrears on account of famine.

283. Are you aware of instances where individual members of co-operative societies have borrowed from the *mahajans*?—I have no personal knowledge.

284. But have you heard of instances?—Yes.

285. Has the character of the borrower improved?—I have no personal knowledge.

286. Can you tell me anything about the effect of the Punjab Land Alienation Act on the security available to you?—No cases have come to my knowledge.

287. What is your impression generally. Is extension of credit or restriction of credit required in Delhi?—We require more credit facilities in this Province.

288. And you believe that anything done to restrict credit will be an obstacle to the extension of credit facilities?—Yes.

289. How do you propose to attract rural savings to make credit cheap in rural areas?—There is no capital or savings in rural areas.

290. Then you think the urban areas have got to satisfy not only their own needs but also the capital needs of rural areas?—Yes.

291. Considering the whole of India and the smallness of its urban area don't you think it means that there is scarcity of capital in the country as a whole?—Yes.

292. You were telling us something about the mortgage law. If mortgage laws could be simplified, do you think the rate of interest would go down?—Yes.

293. You also think that the insolvency law by making it easy to declare insolvency tends to keep up the rate of interest?—Yes, that is more favourable to the debtor.

294. Don't you think all these factors will have to be taken into consideration in determining the real rate of interest?—Yes.

295. Do you, therefore, think that the rates of interest will ordinarily go down if these causes are removed?—I think so.

296. You agree that the aim of the co-operative movement is to put a check upon borrowing for unproductive purposes and to lower the rate of interest?—Yes.

297. Supposing a joint stock mortgage bank of limited liability is organised with those ends in view, would you give it the same facilities for realisation of its dues as you would to the co-operative mortgage bank?—Yes.

298. If more joint stock banks come into existence don't you think interest rate will naturally be lowered?—Yes.

299. After all the ultimate thing will be that the land which stands as security in a mortgage bank will have to be auctioned in cases of default, of failure to repay, on the part of the mortgagor?—Yes.

300. Do you think that a mortgage bank in an area in which the Punjab Land Alienation Act is in force can easily auction leases for the unexpired portion of 20 years, the statutory period for which land can be mortgaged?—I think people will come forward to take leases.

301. If a joint stock mortgage bank is started and if it lends on the security of land, in the case of defaulting clients, it will have either to manage the land itself or sell its lease by public auction?—I won't advocate the starting of joint stock banks in rural areas.

302. So far as the co-operative mortgage bank is concerned you will be improving matters by doing away with the Land Alienation Act so that debentures could be issued on the security of the land?—Yes.

303. You say that one credit society should be started in each village with a large number of members. Don't you think the larger the number of members, the less possibility there is of mutual control?—We have to look to the conditions at present, whether small societies are working satisfactorily or not.

304. My first point is, if the number of members is large, the mutual control is less?—Yes, that is so.

305. Secondly you suggest that the members' property should be mortgaged with the co-operative societies?—Yes.

305. Is it not against the principle of the co-operative movement to emphasise property rather than character and mutual help and control?—Yes, but we must bear in mind our special conditions.

306. In spite of special privileges that the co-operative movement enjoys, you agree it has not made much headway. Then why are you against a joint stock bank?—The profits of a co-operative bank are all absorbed in the society or the bank itself.

307. But so long as individual property exists and the state has not committed itself to the establishment of a co-operative commonwealth there is no justification for making any concessions in favour of the co-operative movement if it lends on the security of property only?—No, I don't agree.

308. Because you believe in a co-operative commonwealth?—Yes.

309. Do you agree that in the urban areas in Delhi especially the co-operative movement has not done anything to improve the condition of the poor classes?—Yes.

310. And do you agree that the movement should be extended that way?—Yes.

311. Taking the Delhi Province as a whole, and considering the fact that in this province there are more urban than rural borrowers who are in needy circumstances the co-operative movement should be properly extended more to urban than to rural areas?—Yes.

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312. Then you talk about the *Ulemas'* influence regarding the principle of accepting interest. How do you propose to get rid of this influence?—That will go away by and by.

313. Regarding Mohammadan co-operative societies are their many non-official Moslem workers trying to promote co-operative movement?—No.

314. Did you make any efforts to start any Muslim co-operative societies here?—I could not find time to do so.

315. Have you come across any instance where the efforts of non-officials in the creation of more Muslim societies or banks have been received with hostility by the Co-operative Department?—No, I have not.

316. *Mr. V. F. Gray*: The Chairman asked you in connection with the regulation of accounts whether the moneylenders are all sufficiently literate to keep their own accounts. Are you agreeable to their accounts being maintained in the *Nagari* character?—I have no objection. The courts should be satisfied with the accounts maintained by these money-lenders.

317. I ask you this because it had been the bone of contention in the Punjab Act. You say that the money-lender should issue a receipt for every pie received?—Yes, in some cases they are evading doing so.

318. Surely a receipt may be demanded under the present law. Would you repay a loan in part or in full without obtaining receipts?—There are illiterate debtors who are persuaded not to accept a receipt by the moneylender on the pretext that the latter will credit the former's account duly.

319. Can they not demand a receipt?—The money-lenders pretend that they will make the necessary entries in the *bahi khata*. The influence which the creditor has over the debtor is so much that the latter has perforce to go away without a receipt.

320. But the law insists on a receipt being given and moreover there is the stamp duty as well ordaining on all to give a stamped receipt for sums over Rs. 20?—But these money-lenders evade the law by not maintaining proper receipt books.

321. Don't you consider that education is a far more potent factor in these matters than legislation?—But education will take at least 50 to 100 years to change the mentality of people.

322. In what way do you think that the enactment of a law is going to do wonderful things in these matters? Ignorance is the thing that we must get rid of, is it not?—Yes.

323. You say that investment habit has been a very slow growth in India. I have noticed a suggestion in the papers that to encourage investment habit "gold certificates" might be issued. This struck me as a good thing. The idea is this—you pay in so many rupees or gold ornaments equivalent and take a gold certificate and at the end of a specified period say 1 to 5 years the amount is repaid in actual gold or in rupees whichever suits you, with interest. Say 8 grains of gold and receive 10 after 5 years. Do you agree to this suggestion of Government adopting such a procedure?—I have no objection. Anything that will encourage thrift will be suitable.

324. Will it not be a good thing to prevent ornaments and other valuables being buried?—I agree that it is a good suggestion.

325. *Rai Sahib Kanwar Motilal*: What sort of relations exist between the Imperial Bank and the Co-operative Bank?—They are on good terms with each other.

326. I am enquiring about business relations?—As regards business, I may say that if the Central Bank wishes to remit any money outside, the Imperial Bank does this business for the Central Bank at par.

327. And what about the relations between the Co-operative Bank and the Imperial Bank?—The Co-operative Bank has got overdraft account with the Imperial Bank and draws against securities deposited with the latter.

328. *Lala Bal Kishen* : How old is the co-operative movement in Delhi?—It was started in 1919.

329. When was the Central Bank formed?—In 1921.

330. And you were the Director of the Bank from the beginning up till recently?—Yes.

331. And you were its Honorary Secretary till last year?—Yes.

332. The Directors are elected at the annual general meetings of the Bank?—Yes.

333. And at the general meeting the representatives who attend are mostly Hindus?—Yes.

334. So, all this time you have been elected by a Hindu majority of the co-operative society representatives?—Yes.

335. Do you know who was the Circle Registrar here in the beginning of the co-operative movement?—I think he was Atta Ullah Khan.

336. And he remained as such till when?—I think till about 1924 or 1925.

337. Do you know in how many societies the bye-laws impose a restriction that the membership should be restricted to one community?—I think none of them have any restrictions of the kind.

338. The societies can elect anybody they like as member?—Yes.

339. You suggest that as a remedy for improving societies amalgamation should be tried. Do you know that amalgamation is going on?—I don't know.

340. You suggest very strongly the formation of co-operative mortgage banks?—Yes, with a view to making members independent.

341. Do you know that a meeting was held between the Registrar of Co-operative Societies in the Punjab and the Chief Commissioner and they decided that the movement was not strong enough here to have co-operative mortgage banks?—I don't know of that.

342. You advocate that the general rule of the co-operative movement should be limited liability for all kinds of societies?—Yes.

343. You know that in the rural agricultural co-operative credit societies the paid up capital is very nominal in the beginning?—Yes.

344. And they pay up shares in small instalments in a long period of 10 years?—Yes.

345. On what basis will the Central Bank advance to such primary societies with small paid-up capital?—When conditions change and when limited liability is decided upon the Central Bank ought to be able to advance money on a certain principle.

346. How will you fix this principle? You will advance up to the value of shares subscribed?—Yes.

347. Do you think that the Central Bank will be safe if it advances money up to this amount to such societies when it does not know the position of members?—That is the look-out of the Central Bank. They

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should appoint sub-committees in different parts of the Province and it should be incumbent on these sub-committees to make the proper recommendation to the Central Bank.

348. You were saying that when there were Mohammadan Assistant Registrars they were forming more Mohammadan co-operative societies than the population demanded?—But these people were transferred after their term was over. Up to this time we have got about 43 Mohammadan societies out of which 34 societies were started in the beginning and only about 10 societies have been formed during the last 5 or 6 years. This is very slow growth. I want something to be done to remedy this state of affairs.

349. Would not propaganda by non-officials achieve it?—I don't think so.

350. Do you know how much amount the Central Bank had to write off from the debt due from societies as bad debts?—I don't remember. There is of course a certain amount.

351. Considering this you will agree that the progress of the movement should be very cautious?—That is no reason why the movement should not spread in the villages.

352. Do you know how many co-operative societies have been started in the city during the last three years?—It might be about 10. I don't know.

353. What is the number at present?—I don't know the exact number but they are very few.

354. You have advocated increased membership in co-operative societies. Have you any idea whether the membership is going up or not?—I have no idea.

355. You have said "the society prefers to confine its dealings amongst its own members in order to take advantage of the arbitration provisions in case of disputes". Do you advocate that the co-operative societies should deal with non-members also like joint stock banks?—I don't advocate that.

356. What do you really mean by saying that?—I was only dealing in a general manner. I have said that in answer to question 41.

357. Then you advocate that they should deal with public as well?—No, I want them to remain money-lending institutions only.

358. Your experience is that the percentage of recoveries is coming down in the Central Bank?—Yes.

359. And still you recommend more money should be advanced. You say: "Sufficient money is not advanced to needy persons at the right time. This compels the members to go again to the money-lenders"?—This in my opinion is due to the fact that co-operative societies do not take the property of the debtors in mortgage.

360. You think things will be bettered if you take property in mortgage?—Yes.

361. Then if the debtor has not the will to repay, you will have to go to court?—Yes.

362. Do you, therefore, advocate that societies should lend only on the security of property?—In this case the debtor will not fail to repay. If there are two kinds of creditors, one having a charge on the property and the other not, the debtor will naturally try to pay up the man who has a charge on his property.

363. Then do you mean to say that the members are not loyal to the co-operative societies?—If they are freed from the hands of the money-lenders then they will be loyal to the society.

364. About non-agricultural credit and indebtedness, you say that very heavy interest rates are charged, that suits are filed in which interest was charged at 150 per cent. and that they have been decreed by courts. Have you got any particular instances in view. Can you give us more particulars including names, etc., of such cases, if possible?—I have no objection to do so provided the Committee will treat it as confidential.

365. *Prof. Chaklani* : We will treat it as confidential?—If it will not go to the press I can give you the names. Here is a promissory note in which the creditor is a respectable and educated Bengalee gentleman and which has been decreed by the court. (*Hands promissory notes to Chairman*).

366. But was the decreed amount realised?—I can't say that but the amount was decreed.

(*The witness withdrew.*)



Wednesday, February 19th, 1930.
NEW DELHI.

PRESENT :

Khan Bahadur Diwan ABDUL HAMID, C.I.E., O.B.E. (*Chairman*).

Professor H. L. CRABLANI, M. A.
 Lala BAL KISHEN.
 Mr. V. F. GRAY, M.L.C.

R. S. KANWAR MOTI LAL.
 Lala SHRI RAM (*Co-opted Member*).

Mr. V. S. MARBALLI (*Secretary*).

Mr. V. K. Aravamudha Ayangar, C.I.E., Secretary, Indian Central Banking Enquiry Committee was also present.

**Mr. RADHIKA NARAIN, Lecturer in Economics, Hindu College,
 Delhi.**

Replies to the questionnaire.

367. Urban communities that deserve particular attention may be discussed under two classes:—(1) poor classes, (2) middle class.

Poor classes:—*Khatiks*, *chamars*, *kumhars*, *kahars*, wage earners, sweepers, factory workers. One thing common to all is that they are all heavily indebted. The economic conditions of the different classes of people do not differ at all with the locality in which they live. I have therefore selected *Mohalla Imli*, *Bazar Sitaram*, which is neither too big nor too small, and which fairly represents the conditions of some of the poorer communities of Delhi. The total population is about 4,000 and consists of *khatiks*, *chamars*, *kahars* and *kumhars*.

Khatiks.—There are about 200 families, and most of them sell vegetables and dry fruits. Some of them own their own shops, but a large majority consists of those who are engaged by others or who sell in the streets. The average income of those who own their own shops is generally Re. 1 (per day?). The bigger shop keepers earn even Rs. 2 to Rs. 3 per day. The rest however get about as. 8 to as. 12 per day. This amount is just sufficient to meet their daily expenses. Thus in times of need they have to borrow. Generally they borrow from the *mahajan*. The *mahajan* lends money, generally for short period at half-anna per rupee per month, i.e., $3\frac{1}{2}$ per cent. per annum. In many cases the rate of interest goes up to 3 pice or 4 pice per rupee, depending upon the nature of the requirements of the borrower and also upon his personal standing. The average indebtedness is Rs. 200; for an ordinary family, about 95 per cent. of whom are in debt. Some of them borrow to meet their temporary requirements of business and the amount is generally repaid as soon as they are in a position to do so. But in many cases they borrow for other purposes also, (e.g., marriage celebrations, death ceremonies and other emergency requirements). Such loans are seldom repaid.

368. The *Rahti* system is very unsatisfactory, the *mahajan* generally changes the paper, adding the interest to the principal after two or three years and thus he really charges compound interest at a rate of not less than $37\frac{1}{2}$ per cent. The borrower cannot refuse to change the paper as he is threatened with a law suit and thus the amount of debt goes on rapidly increasing. About 30 years back about 90 per cent. of the borrowers owned their own houses, but today there are hardly 10 such persons. What happened was that loans were given on the security of the houses. They went on accumulating rapidly and in course of time the borrowers had to sell their houses to the *mahajans*. The *mahajan* seldom asks for his money, because he knows that the longer the money remains outstanding the greater are the advantages he is likely to derive. The high rate of interest severely checks borrowing for business also. In fact only those persons borrow for business who are absolutely certain of profits, or who possess absolutely nothing.

369. At present they are mainly suffering because their earnings are not sufficient to meet their expenses. But there is considerable scope for increasing their income even in the business of vegetables and dry fruits if they can get money to do the business. The present arrangement is very unsatisfactory, and a better one is badly needed. The most suitable remedy is undoubtedly co-operation. The community is on the whole pretty intelligent and are amenable to reason. They can grasp the principles of co-operation if proper propaganda is started and its advantages are made clear. In fact some of them resort to private institutions who advance loans apparently on very cheap terms. Their requirements are largely for business, if proper financial help is forthcoming their income would increase which would help them in clearing off old debts also.

370. *Chamars*.—There are about 100 families, all in debt. Their average income is about as. 8. They are the most depressed class of people and very few lead an honest and straightforward life. The *mahajan* is generally afraid of making advances to them, and consequently they borrow from the *Kabuli* money-lenders. These *Pathans* not only charge an exorbitant rate of interest (as. 2 to as. 3 per rupee per month) but the methods which they employ in getting back their money are most cruel and tortuous and legislation is needed to put a stop to them. The English missionaries are another source of help to them. Even they proceed very cautiously as the community is very dishonest.

371. What is needed is not merely cheap credit, but also education in the use of available credit. General education on the one hand and co-operation on the other, would together raise the status of this class. The development should however be slow and cautious.

372. *Kahars and Kumhars*.—There are about 200 families and like other poor communities, they are all in debt, the average debt being Rs. 200. They are not as dishonest as the *chamars* and belong to a slightly higher social status. They borrow generally for special purposes, such as marriage, death, etc. The *bania mahajan* is generally the person who gives advances to them. Co-operation again would be a great source of help to them.

373. The middle class in Delhi consists very largely of clerks in Government and private service. They either borrow among themselves or from other private money-lenders. They borrow only on special occasions, e.g., marriage, child-birth or other important ceremony; sometimes they borrow even to build or buy a house. The outstanding amounts, however, are not very considerable, as they are educated and have a feeling of self-respect.

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374. 49. The main local industries of the Province are, (1) Textile industry, 2. Iron industry, 3. Gold and silver thread, 4. Leather and tanning, 5. Biscuits, 6. Soap, 7. Pottery, 8. Cap-making (Shahdara), and 9. Flourmills. Of these the cotton mills are the most important. The textile, iron, and cap making industries are on a pretty high scale and their requirements are both for short periods and long periods. The short period requirements are generally for meeting other necessary expenses, and therefore the period for which money is required is not very short. Their total demands are very considerable, but it is not possible to give any statistical information. The rest of the industries are small scale industries and their financial requirements are generally for very short periods though money is needed both at the producing and marketing stage.

375. The requirements of the bigger industries are at present met almost entirely by advances from the managing agents, or from the owners themselves, in case of unlimited concerns, while in case of the smaller ones the *sahukar* or the moneylender comes to their help. The conditions and the rates of interest on such loans have already been discussed in my note on indigenous banking. L. Shankar Lal, Secretary, Factory Owners Association, in his interview (copy of which is attached herewith) has made it quite clear that the present arrangement is very unsatisfactory, as the banks do not render any assistance.

376. The exchange banks exist only to finance the foreign trade of the country and are, therefore, out of question. The Imperial Bank adopts a very rigid policy, partly because the rules are rigid and strict, (e.g., it can make advances only on possession of stock), but mainly because the superior staff is entirely Anglo-Indian, who have no real sympathy with the industrialists. They regard themselves as merely executive officers, and far from being anxious are seldom willing to satisfy the needs of the native industries. As regards the joint stock banks, in their present position, they cannot safely take up the business of financing the industries. At present their capital is mostly invested in the financing of what is popularly known as the *khatti* business. The nature of the business deserves particular attention. The commodity (grain or cotton) is stored and the banks get possession of it. They advance about 60 to 80 per cent. of the estimated value of the produce. The merchant (say A) retains ownership and sells his produce to, say, B (only on paper). The purchaser pays only about 1/5th of the total price, while the rest is to be paid when he actually gets the commodity. He (B) in turn now sells the commodity to a third person on exactly the same terms, and so on. On the other hand, the merchant (A) purchases a number of similar stores (*khattis*) from the **money he gets from the banks**. The entire transactions are on paper only. If the price of the produce goes down even slightly, the merchant (A) suffers a huge loss not merely on his own produce, but also on the *khattis* that he has purchased on paper. This *khatti* business thus automatically leads to speculation and in many cases utterly ruins the merchant or the trader engaged in it. The banks seldom suffer as they have possession of produce. This is a very undesirable state of affairs as it does not render any help to industry or trade. In fact this kind of speculation has been continually increasing along with the growth of joint stock banking. The position of the indigenous bankers has already been discussed and it is clear that they cannot under the existing conditions render any help either to industry or to trade.

377. There are now only two alternatives. Either a new industrial bank should be opened or the present Imperial Bank should be asked

to meet the needs of industrial concerns. The former alternative is undoubtedly the better. The objections generally advanced against it are:—

1. It is useless and unprofitable to multiply institutions financed by Government.
2. It shall have little business to do as the necessary security will not be forthcoming.
3. For a long time to come no industrial bank can afford to satisfy the permanent, or even the long period business requirements, and if the permanent requirements are not met, proper industrial development will not take place and the new institution would mean only an unnecessary expenditure.

378. As already pointed out, none of these objections apply in our Province, for the total requirements are very considerable, while permanent funds for the factories and mills can easily be raised in public. On the other hand, the Imperial Bank as at present constituted cannot safely make advances to industrial concerns. Further, money is scarce only in the busy season and then the Imperial Bank rate of interest on loans is very high which, instead of helping the industry, acts as a kind of drawback and discourages borrowings. A purely industrial bank shall be free from this defect. The industrial bank shall be a great source of help to the large number of small industries that cannot safely be neglected and are now badly suffering from want of financial help.

379. 51. The Co-operative Department has up till now completely neglected the urban areas, where I feel there is more scope for its expansion and rapid progress than in the rural areas. The urban population is more intelligent, more educated and more in contact with modern developments. For example in the *khatik* community it can progress very rapidly. Again, co-operation has wide scope in the middle classes. Co-operative dairies, co-operative stores for the supply of necessities of life, co-operative credit societies especially to advance loans for building or buying houses, the money to be repaid in monthly instalments, should immediately be started. Further, co-operative stores should be started in schools and colleges. The beginning should be made with books and stationery, but the ultimate aim should be to supply everything to the student.

380. I would strongly urge the Co-operative Department to take up urban areas very seriously and at once. The salvation of India lies only in the co-operative organization of her people.

381. The system of indigenous banking exists in India from time immemorial. Leaving aside the remote past, with which we are not concerned here, the functions and practices of such bankers had practically remained unaltered till the growth of the joint stock banking in India, which really dates from the last decade of the 19th century.

382. Indigenous bankers may be divided into two broad classes. In the first we include all those whose primary function is direct money-lending, mostly on personal security of the borrower. They are popularly known as *mahajan*, *sahukar* or *bania*. In the agricultural areas they are still the most important and in many cases the only source of financial help to the villagers. The system and functions of this class have not undergone any great change, and in most respects they resemble their forefathers of several centuries ago. It is true that in some

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villages through the influence of western culture the ancient system is slowly changing, on the whole, the change is insignificant.

383. In the second class we include those whose primary function is to deal in *hundis*. Of course no clear and well defined line of demarcation can be drawn between the two and most of the functions are overlapping, but the field of action of each is generally quite distinct. The former are found mostly in villages, their operations in towns being limited to the poorer classes. The latter live mainly in towns and other centres of trade and deal largely with the business community. They are popularly known as *shroffs*.

384. In this note I shall deal only with the latter class and the word "indigenous-banker" would mean a *shroff*.

385. 57, 59 and 67-68. During the last 20 years the position of indigenous bankers has undergone a complete change. Before this he was the most dominating figure in the business community, while to-day he is thrown in the background and has been replaced by joint stock banks. He was then the central figure in trade and industry. Every business transaction both within the city and in the neighbouring *mandis* passed through his hands. There was no other institution to give any kind of monetary help to the business community. The Delhi branch of the Bengal Bank did some rediscounting business, but the total value of bills rediscounted was hardly 2 per cent. of the total volume of business financed by the city bankers.

386. The necessary financial assistance was given through the instrument of *hundis*, or internal bills of exchange. The system of drawing *hundis* has been in vogue from very remote times. A *hundi* is perhaps the oldest surviving form of a credit instrument.

387. *Hundis* are of two kinds, *darshani* (demand drafts) and *mudati*, sometimes called *miyadi*, i.e., bills payable after fixed period mentioned in the *hundis* and reckoned from the date of drawing. *Mudati hundis* or usance bills included both genuine trade bills and pure finance bills. These may be drawn for any amount according to the requirements of the parties concerned, but generally they were of a fixed value of Rs. 2,500 or Rs. 1,500 and were always readily saleable in the money market. The period of their duration varies from 30 to 90 days.

388. *Darshani hundis* are to be paid on presentation and are saleable in the market. These are written to finance trade, though in some cases they are pure finance bills and satisfy monetary requirements for very short periods.

389. Almost all the monetary requirements of the city were met by the indigenous bankers on the security of these two kinds of *hundis*. Practically all the grain merchants of Khari Baoli, the *gur* merchants, the iron merchants, the timber merchants, the *kaseras*—in fact all the merchants used to finance their business in this way. In many cases goods were sent directly from the *mandi* to the export port, but their financing was done through Delhi, e.g., in case of cotton the produce was sent directly from Hathras, Palwal, Kosi, Karnal and other *mandis*, but the financing was done by the Delhi banker. Thus we find that in the moving of crops also they played a very important part. It should be noticed that the use of usance *hundis* was very extensive and money was advanced on the security of the most desirable kind of paper.

390. The rate of discounting *hundis* depended upon (a) the credit of the drawer, (b) the conditions of the money market. Consequently there

were wide seasonal fluctuations. Ordinarily *mudati* hundis were discounted at a rate of as. 4 to as. 6 per cent. This included the commission of *artia*, to whom it was sent for collection, and the remittance charges also. The commission charged on *darshani hundis* was generally Re. 1 per Rs. 1,000.

391. 56, 62. The functions of the indigenous bankers were many but the most important was undoubtedly the *hundi* business. They generally transacted the following kinds of business:—

- (1) Purchase, sale and discounting of *hundis*.
- (2) Accepting deposits, both on the current accounts and for fixed periods. The volume of deposits on current account was generally very considerable, as banking facilities of the modern type did not then exist. Fixed deposits were generally for 2 months. The rate of interest paid to depositors varied according to the market conditions and the personal credit of the depositor had ranged between as. 4 to as. 8 per cent. per month.
- (3) Encashing cheques and notes. The commission charged on such business was generally as. 2 per cent.
- (4) Keeping valuables in safe custody.
- (5) Advancing loans against (a) promissory notes, (b) mortgage of landed property, (c) mortgage of other kinds of property, e.g., gold and silver ornaments, (d) stock in trade. (On the whole the use of pro-notes was much less than at the present time). The rate of interest on loans on pro-notes varied from $7\frac{1}{2}$ to 9 per cent. per annum.
- (6) To give advances on railway receipts.

About 20 years back there were about 200 indigenous bankers in the city of Delhi. Of these there were hardly 50 who lived entirely on their banking business. Along with the banking business they generally carried on some trade, e.g., trade in bullion, iron, cloth, etc. Landed property was another source of their income.

392. 58. The major portion of the capital of the indigenous bankers was their own. Deposits from individuals supplied, generally speaking, about 1/5th of their working capital. They could also get credit advances in the form of rediscounts from the Bank of Bengal up to a fixed limit (this limit was fixed in the case of every banker according to his *haisiyat*). In the busy season about 20 per cent. of their working capital was supplied by the Bengal Bank. Quite a large number of them worked like accepting houses. They were bankers of great standing and credit in the market. Their business was to purchase all sorts of *hundis* at a rather high rate of discount and after endorsing it to sell them to other *shroffs* at a slightly lower rate.

393. Two things are quite evident. Firstly, the indigenous bankers rendered magnificent services in the financing of internal trade and industry, though it is practically impossible to give any statistical information. Secondly, the money market was very well organised. There was a continuous gradation from the big bankers who enjoyed very wide reputation even outside the Province to the accepting houses, to the smallest banker who combined most of the functions mentioned above. Temporary business requirements were met on the security of a negotiable kind of paper.

394. To-day the position is altogether changed. An indigenous banker, in the real sense of the term, no longer exists. There are hardly 30 to

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40 firms (including partnerships) who do any banking business at all, and even with them it is only their side business. They are really merchants and money-lenders doing some *hundi* business now and then.

395. The deposit business has been entirely captured by the banks, who command more confidence. Besides the joint stock banks, deposits attracted by the exchange banks, the Imperial Bank, Post Office Cash Certificates, loans floated by the Government and public bodies, shares of limited companies, have seriously affected the resources and capacity of the indigenous bankers.

396. As regards the *hundi* business, it is in the first place considerably reduced. In spite of a vast increase in the total volume of trade, the circulation of *hundis* is hardly 25 per cent. of what it was before. Usance *hundis* have, in fact, altogether disappeared and have been replaced by a system of direct borrowings by giving one anna stamp receipt, popularly known as *dastavez*. These loans are generally advanced on the personal security of the borrower, though landed property, gold and silver ornaments and other kinds of property are also taken as security in some cases. The rate of interest charged varies from 3 to 9 per cent, according to the market conditions and the credit of the borrower. The increase in the stamp duty on usance bills from 6 pice to one anna is also largely responsible for this change.

397. Secondly, new methods of making remittance have been introduced. The existing remittance facilities besides *hundis* are:—

- (a) Bank drafts and cheques—the system of remittance by cheque is very cheap and is largely replacing *hundis*.
- (b) Direct bank transfers when the bank has its own branch in the collecting *mandis*. This is very important as the Imperial Bank has opened branches in almost every centre of trade. The Railway Receipt is sent through the Bank which collects the money and sends it back at a very low cost. In fact till very recently the Imperial Bank did not charge anything for remittance up to Rs. 5,000—from those who have their current accounts with the bank.
- (c) Postal money orders are used only to a very small extent.

398. It is to be noted that in the *hundi* business the joint stock banks do not directly compete with the indigenous bankers as it is sometimes stated. With the exception of the Central Bank of India no other joint stock bank in Delhi does any *hundi* business at all and this bank too deals only with the *shroffs*. The Imperial Bank is not authorised to directly purchase *hundis* in the market, but can only rediscount them.

399. It is only indirectly by cutting off their sources of working capital and substituting other and cheaper means of remittances that the competition of the banks has affected the position of the indigenous banker.

400. But the policy pursued by the Imperial Bank is the most important cause of this change. As already said, the Bengal Bank had granted certain facilities to approved bankers in the form of rediscounts, there being a fixed maximum limit in each case. The Imperial Bank has considerably reduced these financial facilities. Not only that. The high rate of discount of the Imperial Bank seriously affects the use of *hundis*. Sir Basil P. Blackett, former Finance Member to the Government of India, complained of want of genuine *hundis*, but he forgot that one main reason for that was lack of proper rediscount facilities. The Imperial Bank cannot rediscount below 6 per cent.,

while generally the rate is 7 per cent. and above. The high rate of discount seriously hampers the growth of trade bills. Further, it has drawn a line of distinction between the indigenous bankers and the joint stock banks. To the latter it has granted certain remittance and financial facilities. It is prepared to advance large sums to them whenever they require and charges only half-anna per cent. for remittance, while from the public (including indigenous bankers) it charges one anna per cent. In fact it treats the indigenous bankers like ordinary individuals.

401. The present state of affairs cannot be regarded as satisfactory. The *dastavez* on which loans are made is not a negotiable instrument. Thus in the busy season there is no scope for expansion of currency. Those who advance loans can do so only to the extent to which they have surplus fund. This surplus money with individual moneylenders cannot meet even a small percentage of the total requirements. The proper method is to advance money on the security of a kind of paper which can be circulated in the market. The indigenous banker would then get it rediscounted at the Central Bank of the country which should be authorised to give loans to unlimited amounts on the security of internal bills of trade. Unless the use of *hundis* is encouraged, the money market cannot be organised, and needs of the market cannot be fully satisfied.

402. 75. The abolition of stamp duty on *hundis* is sure to increase considerably their use. The recent example of the abolition of stamp duty on cheques is a sufficient proof. But an extensive use of trade bills is practically impossible unless the indigenous banker stands between the Imperial Bank and the joint stock banks on the one hand, and the individual traders and business men on the other. No joint stock bank can afford to know each and every business man and therefore cannot deal in *hundis* unless they are properly countersigned by some well known indigenous banker who is prepared to deal on behalf of his clients. In no part of India is it possible to extend banking facilities of the modern type to meet all the requirements of the place. The reasons why no other machinery can supersede the indigenous bankers are:—

1. The indigenous banker is in very close touch with his client and has a personal knowledge of all his affairs. He has, therefore easy and simple means of dealing with him with or without security of any kind.
2. They deal in a manner in which the Indian public is accustomed for hundreds of years, while some of the methods and formalities of modern system of joint stock banking are quite novel to them.
3. The indigenous banker can deal in small amounts, on elastic terms of payment and without lengthy formalities.
4. Very often the indigenous banker takes a personal interest in the business of his clients.

403. 79. Thus every effort should be made to strengthen the position of the indigenous banker.

404. In the first place they should be recognised by the Government in order to command more credit in the money market. In return these bankers should open their accounts with the Imperial Bank.

405. Secondly, adequate financial facilities should be provided for them, since their difficulties are in a large measure due to lack of funds. As already explained, their resources have been dried up. The Imperial Bank or the New Reserve Bank, as recommended by the Hilton Young

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Commission, should be willing to rediscount *hundis* up to any limit, if endorsed by recognised bankers of standing. At present even the joint stock banks are unwilling to rediscount their *hundis*, and they seem to have a prejudice against the indigenous bankers, being their competitors to a great extent.

406. The Imperial Bank, on the other hand, should not be allowed to have any direct dealings with individuals. The situation will be considerably improved if a new Reserve Bank functioning as a purely bankers' bank and Government's bank is opened on the lines recommended by the Hilton Young Commission. The reasons are apparent. The Imperial Bank enjoys many privileges. It keeps Government balances free of interest. Municipalities, trusts and other public bodies also keep their funds in it. It also attracts large volumes of deposits from individuals as it is regarded as a semi-official bank. Its competition with other banks and bankers is, therefore quite unfair.

407. Further, when the bankers are properly recognised, they should be treated by the Central Bank in the same way as other joint stock banks, i.e., the same facilities and privileges should be extended to them.

408. In many small places the Imperial Bank has no branch of its own. The Government is continually transferring the railway and Post Office receipts from these small places to bigger places. This state of affairs is very undesirable and can be easily remedied by utilizing the indigenous banker. He may be given part of these Government balances free of interest in proportion to the work he may do, while in return certain restrictions may be imposed on him, e.g., he should be compelled to keep a certain amount of minimum balance with the Imperial Bank. This minimum is not to be a fixed sum, but should vary according to the standing and volume of business of the banker. In other words, he would act as an agent of the Imperial Bank.

409. One other cause of the decrease in the business of indigenous bankers is the loss of confidence in them due to a large number of insolvencies during the last 15 years. Some of these were the result of wild speculation during the War. Good many of these indigenous bankers then speculated largely in bullion and sovereigns and many were utterly ruined. After the war quite a large number of dishonest bankers voluntarily declared themselves insolvent and the result was that bankers, as a class, lost their credit. The Insolvency Acts are in a way responsible for this state of affairs. In the first place as soon as the court receives an application for insolvency, it must declare him insolvent, whatever may be the condition of his assets and liabilities. The long period and the lengthy procedure in the courts are other real drawbacks. The interval gives sufficient time to a dishonest man to quietly settle down and manipulate his affairs at leisure. The next defect lies in the appointment of the official receiver. The measure of corruption at every step in the lengthy procedure in the Indian Courts is well known and therefore need not be commented upon here. The very appointment of the official receiver finishes the case from the point of view of the creditors, and it is seldom that they get anything substantial even after the final decree. These defects can be remedied by adopting a summary procedure of dealing with such cases of insolvencies and abolishing the system of official receivers. The scheme put forward by Messrs. Nannai Mal Jankidas is worthy of notice. (Appendix IV—page 44). According to them the entire affair should be dealt by the creditors themselves who will elect a committee of four or five to examine and audit the account books. The advantages of this scheme are:—

1. The procedure is not lengthy.

2. The creditors come in very intimate contact with the banker, and are the only persons who can do *real* audit, and not merely nominal audit.
3. There is less room for bribery and corruption.
4. At present the creditors give up all interest as soon as the banker closes his doors and very few of them appear in the court. But when they will be given sufficient hope, they will show more interest in the case.

410. One more important point deserves very careful consideration. The superior staff of the Imperial Bank is entirely European, and they have no real sympathy with the native bankers, their methods and customs. In fact they entertain a certain amount of prejudice against the latter. They are drawing very fat salaries and seldom show a real desire to help internal trade and industry. They think themselves as executive officers who have to act in accordance with fixed rules and regulations. If they adopt a less rigid policy and take interest in the development of the business of the shroffs, they can render very valuable assistance to banking in India. This however is not possible under existing conditions, the methods, customs, traditions and the mentality of the parties concerned being so widely divergent. The remedy lies in a complete Indianization of the superior staff of the Imperial Bank. This fact is very important because the psychology of the people plays an important part even in business matters. No proper understanding among the various members of the money market is possible unless the entire superior staff of the Imperial Bank is Indian.



सत्यमेव जयते

APPENDIX I.

SUMMARY OF INTERVIEW WITH L. BANWARI LAL LOHYA AND L. JANGLI MAL, PROPRIETOR AND MANAGER, RESPECTIVELY, OF THE FIRM OF BHANA MAL GULZARI LAL, CHAWRI BAZAR, DELHI.

411. 56. Functions of the indigenous banker in the city of Delhi were as follows :—

- (1) To purchase, sell and discount *hundis*.
- (2) To receive deposits, the rate of interest paid on deposits being generally $5\frac{1}{2}$ per cent. per annum.
- (3) To cash cheques and notes, the rate of discount being -/2/- per cent.
- (4) To give advances on railway receipts.
- (5) To lend money on pro-notes. The rate of interest charged on this kind of loans varied from -/10/- to -/12/- p.m., i.e., from $7\frac{1}{2}$ per cent. to 9 per cent. per annum.

412. The most important was undoubtedly the *hundi* business, loans on pro-notes and advances on railway receipts being comparatively insignificant. Before the war there were about 200 bankers, and about 50 of them lived almost exclusively on banking. Landed property was another important source of their income. Some carried on trade also, but in the majority of cases, the major part of their income was derived from their banking business.

There were two kinds of *hundis* in the market.

413. 57 and 59. *Darshani hundis* and *mudatti hundis*, both being very widely used, the latter kind of *hundi* was the real source of financial assistance to the business community.

414. 64 (b) and 72. Since the war a very large number of the indigenous bankers have failed. To-day there are hardly 15 to 20 bankers in any real sense of the term, and even with them it is only their side-business.

415. The decline in their business is entirely due to the competition of the bankers who command more confidence in the money market than the indigenous bankers, and have their own branches in almost every big centre of trade. The most important cause, however, is the fact that joint stock banks receive huge sums on current accounts on which they practically pay no interest. The indigenous banker on the other hand has to pay at least -/7/9 p.m. even on current account.

416. The competition of the Imperial Bank is even more keen. The volume of deposits with it is very large as it is regarded as a Government's Bank. Moreover it keeps Government balances free of interest. Municipalities and other public bodies and trusts also deposit their funds with it. In fact its competition in the market is unfair. For example, for those who have their current accounts with it, it makes remittances up to Rs. 5,000 without any charge.

417. Further, the Imperial Bank treats the indigenous banker very unfairly. For example, for remittances it charges half anna per cent. from the joint stock banks but -/1/- per cent from the indigenous banker. Similarly, as regards other kinds of facilities the indigenous banker is treated like an ordinary individual.

418. In order to make the indigenous banker more serviceable to the community, they should be recognised by the Government so that they might command more credit and attract more clientele. The Imperial Bank occupies a privileged position and therefore it should not be allowed to compete with other banking concerns. It should not be allowed to deal directly with individuals. Moreover the facilities that it has granted to the joint stock banks should be extended to the indigenous banker.

419. 75. With the revival of indigenous banking in town the use of trade bills would automatically increase, as some of these indigenous bankers would act as accepting houses. Every effort should, therefore, be made to strengthen the position of the indigenous banker.

420. The stamp duty on trade bills is also very undesirable and should be abolished. This would considerably help in increasing their circulation.



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APPENDIX II.

SUMMARY OF INTERVIEW WITH MESSRS. SHAM LAL RAM SARAN DAS,
BARTANWALAS, CHAWRI BAZAR, DELHI.

421. In the city of Delhi there are about 50 *Kaseras*. No body does the business on a big scale. The capital invested in it is mostly, if not entirely, personal. With the exception of 4 or 5 merchants who have invested about Rs 20,000 each, the rest have invested about Rs. 3,000 to Rs. 5,000 each.

422. The principal *mandis* wherefrom the goods are imported are Bombay, Calcutta, Hathras, Rewari and Moradabad. The sheets, however, come entirely from Bombay. The *artias* in these *mandis* make purchase on behalf of their clients in Delhi. The railway receipts and the *hundis* are generally sent directly to them. Payment is made by instalments. The Delhi merchant buys *hundis* on these *mandis* in the market and sends them to his *artias*.

423. The *artias* leave a margin of 7 days (sometimes 15 days, though very rarely) from the date of purchase of goods for repayment of their *hundi*, after which they charge interest. The rate of interest charged is generally -/12/- per cent. per month, though sometimes it falls to -/10/- per cent. p.m.

424. They charge a commission of -/8/- per maund and make purchases on behalf of their clients up to a fixed maximum amount, which depends upon the credit of that merchant in the market. Consequently, in the busy season the *Kaseras* feel, relatively speaking, scarcity of money. For example, in the months of October and November 1929, a large number of marriages were celebrated due to the passing of the Sarda Child Marriage Act. The marriage season is the busy season for the *Kaseras*, but they could not meet the total demand due to lack of funds. A large number of people, therefore, imported the bigger and the more costly utensils directly from outside. Some of these merchants take loans whenever necessary, but the conditions under which they can borrow from private moneylenders are generally repugnant and discourage loans even for business purposes. A better agency is needed to meet the temporary financial requirements of these merchants.

APPENDIX III.

SUMMARY OF INTERVIEW WITH L. DWARKA PERSHAD OF THE FIRM OF NATHOO RAM METHRA PERSHAD, BANKERS AND MERCHANT, DELHI CLOTH MARKET.

425. The business of the indigenous bankers has considerably declined during the last 20 years. Before this there were about 150 bankers in the city of Delhi. It is true that out of these there were barely a few who depended entirely on their banking business, most of them having other sources of income also, such as commission agency and landed property, but in the majority of cases the banking business was the most important.

426. To-day the position is entirely reversed. Although the number of persons who are doing some kind of banking business may still be about 100, the business is hardly 25 per cent. as compared to 20 years ago. The indigenous bankers of to-day are really merchants and traders doing some work that they happen to get as a side business.

427. Formerly the functions of these indigenous bankers were many, but the most important was the purchase, sale and discounting of *hundis*. This was their principal source of income. Next in importance was to receive deposits both on current accounts and for fixed periods (generally for two months). The rate of interest paid on deposits varied from -/4/- to -/8/- per cent per mensem. Equally important was the business of direct money-lending on promissory notes. As the money market was not organised and people were not quite familiar with notes and cheques, the work of encashing notes and cheques was also one of the functions of the indigenous bankers. At times they used to indulge in speculation also, e.g., during the war.

428. To-day with the exception of *hundi* dealings and direct money-lending on the security of one anna receipt, the indigenous bankers rarely do any other banking business. No doubt some of the big bankers do receive some deposits, but this business has been almost entirely captured by the banks.

429. There are two kinds of *hundis* in the market, viz., *mudatti hundis* and *darshani hundis*. Formerly both were of equal importance but to-day the former kind of *hundi* has practically disappeared from the market. The circulation of *darshani hundis* has also considerably declined.

430. The market rate of *hundis* depends upon (a) the credit of the drawer in the market (b) the conditions of the money market, i.e., when there is a scarcity of money, the discount rate goes up, and *vice versa*. Generally, *mudatti hundis* are discounted at a rate of -/4/- to -/6/- per cent, which include the commission charges also. A commission of Re. 1 per Rs. 1,000 is generally charged on *darshani hundis*.

The decrease in the *hundi* business is due to the following causes:—

- (a) System of remittances by cheque. This is more convenient, especially because the Imperial Bank has opened its branches in every town and *mandi*.
- (b) Railway receipts are sent through the banks that have their branches in almost every *mandi*. Thus money is collected and remitted without the use of any kind of negotiable instrument.

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- (c) The increase in the stamp duty from -/1/- to -/1/6 per cent. is responsible to a great extent in reducing the use of *mudati hundis*.
- (d) But the most important is the want of funds with the indigenous bankers. The rediscount facilities afforded by the Imperial Bank to "approved bankers" have been considerably reduced. Moreover, it rediscounts only when the bank rate is above 6 per cent. The joint stock banks in Delhi are, with the exception of the Central Bank, doing very little rediscounting business.

432. On the other hand, deposits are all attracted by the banks. Thus the indigenous bankers are not left with funds to carry on *hundi* dealings on a large scale.

433. The decline in the use of *hundis* has seriously affected the trade and industry of the Province. It was only through this kind of paper that temporary business requirements were usually met. The banks do not give any material assistance to industry and trade. The exchange banks confine their business to the financing of foreign trade. The Imperial Bank has very rigid rules for advances and charges a very high rate of interest. The joint stock banks neither directly purchase *hundis* nor rediscount to any great extent and seldom make advances against the mortgage of property. Their business largely consists in making advances against possession of agricultural produce, popularly known as the business of *Khattis*. This gives rise to speculation which has considerably increased with the growth of joint stock banking. Thus these banks instead of helping trade and industry only encourage speculation.

434. In Delhi, as in the rest of India, the temporary business requirements can be met only through the agency of this indigenous banker. As extensive use of trade bills is not possible without him, as he alone is intimately connected with the ordinary business man in the city. He can advance money on any kind of security on his own risk and is not bound by any rigid rules. Every effort should, therefore, be made to strengthen his position. He should be definitely recognised as an essential member of the money market.

APPENDIX IV.

SUMMARY OF INTERVIEW WITH MESSRS. NANNAL MAL JANKI DASS, BANKERS
AND IRON MERCHANTS, CHAWRI BAZAR, DELHI.

435. Formerly (about 15 years back) there were about 150 to 200 indigenous bankers in the city of Delhi, but to-day there are hardly 20 persons (including unlimited partnerships) who do any banking business at all. Even they do it as a side business, their main business being something else.

436. The functions of these indigenous bankers were many but most important was to meet the financial requirements of trade and industry both by direct loans and indirectly by discounting *hundis*. The gradual disappearance of this class of bankers has resulted in a considerable reduction in the circulation of *mudati hundis*.

437. There are several reasons for the decay of their business. Competition of banks, especially of the Imperial Bank, is one of them. But the main reason is the loss of confidence of private bankers. Quite a large number of dishonest people voluntarily declared themselves insolvent, and by cunningly manipulating the accounts robbed their clients. It was but natural that people should lose confidence in them, and transfer their dealings with the banks.

438. For this loss of confidence the insolvency law is very largely responsible. It is defective both in its scope and procedure. The most undesirable feature of the present act is the appointment of an official receiver in case of every insolvency. The procedure is very lengthy and the interval gives sufficient time to the insolvent to quietly settle down. The creditors seldom get any thing substantial even after the final decree.

439. The present Insolvency Act should be so amended as to make it more difficult for anyone to declare himself insolvent. The system of official receiver should be abolished. Instead, the creditors should meet immediately after the application for insolvency is received by the court and elect a committee of 4 or 5 persons to examine and audit the account books. The creditors come in daily contact with the banker and know the real nature of his transactions. The method of elections for the committee is very important. The number of votes should be in proportion to the amount due by each creditor, every one being entitled to at least one vote. If dishonest and voluntary insolvencies are thus checked, the indigenous bankers should be able to re-establish their lost confidence, and the much desired *hundi* business would automatically increase.

APPENDIX V.

SUMMARY OF INTERVIEW WITH L. SHANKAR LAL, SECRETARY FACTORY OWNERS ASSOCIATION, DELHI.

440. Cloth mills, iron works, flour mills, potteries and biscuit factories are the principal industries of our Province. The most important is undoubtedly the cloth industry, though the total investment in the iron business is also quite substantial. The financial needs of these two industries are both temporary and permanent, while those of the rest are mostly temporary.

441. So far as permanent investments are concerned, the owners should supply the necessary amount of capital themselves. The temporary requirements are at present generally met by advances from the Managing Agents, though sometimes borrowing in public is also resorted to. The method is, however, very unsatisfactory. The exchange banks totally refuse to make advances for financing industrial concerns. Their main functions are to finance external trade and keep deposits. The Imperial Bank has very rigid rules so far as loans are concerned. It is prepared to make loans to industrialists on possession of stock. Its rate of interest is also very high, as it charges at least 1 per cent. above the bank rate, which goes up to 7 or 8 per cent. in the busy season. Moreover sometimes it offers preferential treatment, *i.e.*, it makes advances to the Birla Mills without taking any security. Generally, however, the preference is based on racial distinction. In fact the Imperial Bank does not give any real help to the industries. The Indian joint stock banks on the other hand, cannot afford to give any material assistance because of lack of funds. Again the rate of interest that they charge is also very high (seldom below $7\frac{1}{2}$ per cent.).

442. Owing to these difficulties in getting the necessary financial assistance the industrial concerns are suffering badly. The total requirements are very considerable and therefore some means must be adopted to meet them. It should, however, be remembered that we have to meet only the temporary needs, and all do not require at one and the same time, although considerable sums of money are sometimes needed for the whole season, *e.g.*, for the purchase of cotton in the beginning of the season. Under the present conditions the Imperial Bank alone is in a position to render the required assistance. Its conditions for advances to industrial concerns should be made less rigid and no kind of preferential treatment should exist.

443. Another alternative would be to open industrial banks financed by Government. The former method is better, because it would save the unnecessary expenditure involved in the establishment of a separate institution.

(Oral Evidence.)

447. *Chairman*: You are lecturer in Economics in Hindu College, Delhi?—Yes.

448. How did the idea of conducting the enquiry the result of which you have embodied in your memorandum occur to you? You felt interested in the subject?—I am interested in this subject; I took up banking and currency as a special paper for my M.A.

449. Did you go out in the villages to make enquiries or did you confine your activities to the city only?—I made enquiries in the city only.

450. Did you visit certain *mohallas* in the city?—Yes.

451. *L. Shri Ram*: In reply to Question No. 49 of the questionnaire you say: "The Imperial Bank adopts a very rigid policy, partly because the rules are rigid and strict, *e.g.*, it can make advances only on possession of stock". Have you studied the Imperial Bank rules?—That is what I have come to know from some of the interviews, *i.e.*, the interview with L. Shankar Lal, of which a copy has been sent to you.

452. I simply want to know, are you certain of this fact, because my information is that the Imperial Bank does advance clean loans, as they are called?—As far as I have come to know, I think they advance only on the security of stock; of course it gives certain preference to certain persons also.

453. I am only asking if the information given by you was taken from the Imperial Bank rules?—Certainly not.

454. In your memorandum you say: "There was no other institution to give any kind of monetary help to the business community *muduti hundis* may be drawn for any amount according to the requirements of the parties concerned, etc." Now what powers and what functions would you give to the industrial bank?—It should advance long period loans, funds for investment in industries and short period loans, if possible.

455. Will these industrial banks be able to do other business or not; how will they compete with the present joint stock banks?—Their business will be entirely to finance industries and not to do any other kind of business, for example remittance business.

456. How will they raise capital?—They should issue debentures.

457. What should they do with their money in the slack season?—In case of industrial banks probably there would not be any definite slack season.

458. Do you think so?—Yes.

459. In your memorandum you say regarding *khatiks* that, "*mahajan* lends money generally for short period at $\frac{1}{2}$ anna per rupee per month. In many cases the rate of interest goes up to 3 pice or 4 pice per rupee depending upon the nature of the requirements of the borrower and also upon his personal standing", and then in the last line you say that "such loans are seldom repaid". My experience is that there is quite a big number of people with whom borrowing is a habit, like the taking of wine, and they cannot get out of it. Do you think it is the same conditions with *khatiks*, etc.?—Not exactly; as I have mentioned, there are two purposes for which they borrow. One is for purposes of earning and the other is extraordinary purposes, for example deaths, marriages, etc. The latter kind of loan is seldom repaid, because they are living from hand to mouth. Of course the latter kind of loan is a kind of habit and they do borrow occasionally.

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460. If it is a kind of habit, then the whole trouble is not the indigenous banker, but really the necessity of social reform amongst them; what is required is education and social reform?—In the case of the *khatik* community that is not the case. They borrow for business purposes. In fact they do not borrow for other purposes except on special occasions such as deaths or marriages, and therefore for this community the trouble lies with the banker and not with them, because they borrow for their business purposes, and the bankers charge a very high rate of interest.

461. Does not the rate depend upon the nature of security?—It depends upon the nature of the requirements and the security of the borrower.

462. If it depends upon the nature of the security, then what complaint have you got?—The complaint is that on his failure to give good security, he has to pay an exorbitant rate and along with him the honest borrower, does also pay the same rate, i.e., $37\frac{1}{2}$ per cent. per annum, and it is the latter who suffers.

463. Have you collected any statistics to show how much money was advanced during the last few years and how much of it was recovered and how much not recovered?—I have not made any definite calculations, but from my enquiries I have come to know that out of ten cases one was a defaulter.

464. Supposing an indigenous banker advanced Rs. 5,000, how much of interest and how much of capital was realised, what percentage of interest did he realise?—So far as interest is concerned, should I make some allowance for the trouble that he incurred.

465. No?—He realises about 25 per cent. per annum.

466. But you have no facts to prove it?—This is the result of my personal enquiries.

467. You say *chamars* are very dishonest people and all sorts of things about them. How have you come to know of their being like that?—As I have said just now, it is the result of my personal enquiries. I have been going to their places.

468. Why do they earn 8 annas a day, while the *khatiks* earn Rs. 2 or Rs. 3 a day?—Because of the nature of business they do.

469. *Prof. Chablani*: The rates of interest charged to poor urban communities mentioned in your memorandum are gross rates of interest and not the actually realised net rates?—Certainly, gross rates of interest.

470. You say that on an average the debt per family of a *khatik* is Rs. 200. One year's interest at the rate of $37\frac{1}{2}$ per cent., per annum on Rs. 200 borrowed by one such family would amount at the end of the year to Rs. 275 including principal, and for ten such families it would amount to Rs. 2,750. In how many out of 10 such cases, does the money-lender lose his entire amount?—In one out of ten.

471. If the money-lender loses in one out of 10 such cases, that will knock off Rs. 275 from Rs. 750 interest due to him?—Yes.

472. What percentage of loss does this make?—It comes to about 12 per cent.

473. So the realised rate of interest will come down by that much?—About $12\frac{1}{2}$ per cent.

474. You say that the men who deal with these people, lend money in small doses or in small amounts. On an average how much time will he take to deal with ten families a day?—I think about an hour a day.

475. With ten people at a time to recover principal and interest from?—He goes to them every day.

476. Do you mean to tell me that he will take only one hour a day in dealing with 10 families?—Certainly not more than 2 hours.

477. Have the money-lenders sometimes to go to the law courts?—They have to go.

478. Have they to get some documents written sometimes?—Of course a good deal of time and inconvenience is caused to them.

479. In case of recoveries also they have to deal with the bailiff and others?—Yes.

480. So that the gross rate of interest contains a large proportion of his earnings of management or compensation for expenditure of time and labour?—Yes. You have to take into account also the trouble involved in dealing with these people and also the risk of losses.

481. Obviously where the security is nil, there must be a higher rate of interest?—That is plain.

482. The only way to improve these people would then be to make the security better?—Yes.

483. What do you suggest to make the security better for banking purposes?—I have suggested co-operation.

484. You suggest then that you will have to organise their security on the basis of joint liability and some system of mutual control?—Yes.

485. Now that agency must mean a certain amount of cost of management, etc.—Yes.

486. Now no banking organisation or a joint stock bank or even a respectable *shroff* would deal with these small men without substantial security, and you therefore suggest that the only agency possible is a co-operative credit society?—Yes.

487. In your memorandum amongst other things, you mention the *Kabuli* money-lender. So far as *Kabuli* money-lenders are concerned, do they experience any difficulty in realisation?—They have no difficulty.

488. Do they have to go to the law courts?—No.

489. In their case there is no risk of loss?—No.

490. Now I will take the case of *kahars* who you say, generally borrow for unproductive purposes. What you need in this case is restriction of credit, and not the extension of credit, because it is only by restrictions that you can make it more difficult for them to borrow for unproductive purposes?—Not restriction of credit, but expansion of credit, because they are not really dishonest people like *chumars*. What is needed is restriction on their expenses.

491. Which means that at the present moment they are spending more upon marriages, etc., than they should?—Yes.

492. Then what they really need is some agency to restrict their borrowings?—No, but to control their expenses.

493. There can be no curtailment of expenditure except by restriction on their borrowings?—It can be done by propaganda.

494. No credit agency can do this sort of propaganda, if you give them more facilities to borrow?—The credit agency should not restrict borrowing, but should start propaganda to decrease the expenses on unproductive purposes.

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495. Propaganda to decrease borrowings is also a form of restriction of credit. In the case of people who borrow heavily for unproductive purposes you don't need any easier terms, but what you need is restriction of credit?—Especially in the case of *chumars*.

496. Further on in your memorandum you describe the *Khatti* business and you suggest that the credit facilities afforded by the banks are by way of speculation. This speculation is due to the advancing of loans against the security of crops?—Yes.

497. If you extend the system by enabling the agriculturist to borrow on the security of crops, the same tendency of speculation is likely to appear therein too?—Of course that is quite clear.

498. The impression that I gathered was that so far as big industries were concerned, they did not require capital for long periods?—But whenever they require, they can borrow from the market.

499. So far as fixed capital of the industrial concerns in Delhi is concerned, they have not to borrow for 20 or 30 years; for this they have got their own capital. Their special needs arise in the busy season when they need some kind of floating capital and their complaint is that they are borrowing then at a high rate of interest. Is that the real complaint?—Yes.

500. Obviously to remedy this state of affairs you must have an agency to extend the floating capital in the year in such a way that with the close of the busy season it is liquidated automatically and therefore the advances will have to be made against assets that will be turned into cash after a few months?—Yes.

501. They can only be in the shape of industrial products in the busy season?—There can be no other assets.

502. Therefore you need an agency that will advance to these industrial concerns in the busy season a certain amount of floating capital at a reasonable rate of interest?—But the rate of interest is very important.

503. What you need is a reasonable rate of interest against some kind of security, that will tend to turn into cash the moment the busy season is over?—Certainly.

504. I pass on now to your note on indigenous banking. In answer to question 58 you say that these indigenous bankers used to work like accepting houses in the market?—Some of them used to do.

505. That accepting business was a very important part of the business of a good indigenous banker in Delhi?—In fact some of these bankers were acting merely as accepting houses.

506. So that in order to restore that position their present difficulty should be removed. What exactly are their difficulties at present?—I have mentioned the difficulties in my memorandum; they are, lack of adequate financial facilities and the competition of banks, especially the Imperial Bank.

507. But obviously every banker would like to have the security of an acceptor behind any bill that is discounted by him?—Yes.

508. It is in his interest also to see that he lends money on the trade bills that are accepted by an accepting house in the market. Why is it then that accepting houses are declining?—Because the *hundi* business itself is declining.

509. The second cause that you mention in your memorandum of the decline of the business of the indigenous banking community is the

decline in the deposits. How would you restore that?—If the indigenous bankers were asked to keep a certain amount of minimum balance with the central bank, they will be able to regain confidence of the public.

510. What you want is some kind of legislation requiring these indigenous bankers to keep a certain portion of liquid resources against deposits in the central bank?—Yes.

511. That sort of regulation is necessary if public confidence is to be restored?—Yes.

512. I pass on to your next point. You also mention there that the business to those places is concerned where there are no bank branches? on account of competition of the banks?—Yes.

513. But the banks cannot compete with him so far as the remittance business to those places is concerned where there are no bank branches?—Of course the banks cannot compete with him in such places.

514. At the present moment he has got that source of profit and at such places his is the only agency for purposes of remittance?—He has not suffered in places where there are no bank branches, but in places where the banks have got their branches his business has suffered.

515. Do you mean to say that in the places where the banks have got branches remittances through him are not cheaper?—Yes.

516. You suggest further that what is needed is better rediscounting facilities. You mean discounting by the banks?—Especially by a banker's bank.

517. In your memorandum you say that the stamp duty on *hundis* should be abolished. Do you think that would increase the volume of work?—Yes.

518. What else would you suggest?—I think the revival of the indigenous banker would automatically strengthen the position and increase the volume of trade bills.

519. In your memorandum you suggest that he should be given part of the Government balance free of interest in proportion to the work he will do. How can a bank know beforehand what work he will do?—At the end of the year he may be given some rebate.

520. So that in case the volume of his business is larger, he will be given more rebate?—Yes.

521. You mention on page 8 of your memorandum that another cause is insolvency law. Have you no suggestions to make as regards the change in the insolvency law beyond the fact that there should be no official receiver?—And instead of the court the business of auditing the accounts should be done by a committee of the creditors.

522. Chosen by creditors by votes in proportion to the amount of debt due to them?—Yes; supposing the insolvent owes Rs. 10,000 to one man and Rs. 20,000 to another; the latter must have double the votes than the former.

523. You would like to have more votes in favour of the person whose outstandings are larger in proportion to the amount of his total of debt?—Yes, on the above analogy he should have double the votes.

524. You want complete Indianisation of the Imperial Bank Staff. Are you aware that a large number of the shareholders of the Imperial

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Bank are Europeans? Obviously the shareholders must have a voice in determining the staff?—I don't say that they should not have a voice, but what I want to emphasize is that in the case of the central bank the shareholders should be asked to forego their interests for the benefit of the country.

525. What you mean to say is that the central bank of the country should be more Indianised in respect of the superior staff?—Yes.

526. *Mr. V. F. Gray*: Running all through your memorandum is the feeling that the Imperial Bank is very unsympathetic, and you want an industrial bank in its place which would help the industries more sympathetically. In what way do you think this industrial bank would be more sympathetic, because it would not be able to advance without security?—The attitude of the Imperial Bank, as I have said, is partly due to the rigid rules and partly to the unsympathetic attitude of the superior staff.

527. Do you think the superior staff is unsympathetic when people go with security to get money or is it that people who go without security receive unsympathetic treatment?—The security in some cases is sufficient, but in many cases the superior staff can accommodate the indigenous banker if they feel a keen desire, but sometimes since they have no keen desire, they are not anxious to accommodate.

528. Is it not rather unfortunate that by suggesting a Government bank you wipe out the question of competition. You are suggesting co-operation in banking in buying and selling and in every conceivable thing. In other words you are totally wiping out competition from every form of business. You are giving every thing over to the Government bank and co-operation and you lose all possibilities of cheapness by competition?—Co-operation does not mean that.

529. You can get efficiency only where you have strong competition?—It may be true in theory but not in practice. It is more beneficial than competition.

530. If by co-operation you are going to wipe out all the indigenous banks, how will an ordinary shopkeeper get anything like the credit facilities? Don't you see the danger?—I believe that the salvation of India lies in the co-operative organisation of its people, but it does not mean that competition will entirely disappear. In general there may be some competition and there may also be competition between co-operative societies and co-operative provincial organisations and others; not wholesale co-operation of course.

531. *Prof. Chabiani*: Mr. Gray, the point of the discussion is entirely different. His object is to bring within the pale of banking business the communities that to-day do not deal with the banks at all because they cannot offer to bank a banking security. By co-operation he wants to bring their security within the pale of banking circles.

Witness: As I have said just now, what I mean is that so far as these communities are concerned, the co-operative societies will improve the security of the borrowers, so that they can borrow collectively from a bank.

532. *Mr. V. F. Gray*: You refer to co-operative dairy farms and others for the supply of necessities of life?—Yes.

533. It seems to me you believe that co-operation is going to bring Utopia in a few minutes. The big danger to my mind is the fact

that you are going to wipe out all competition?—I cannot see it here.

534. Your indigenous banker will be totally wiped out if you start Government industrial banks and co-operative societies? Where will the indigenous banker go then?—I cannot see how the indigenous banker will be wiped out. What I suggest is a few co-operative societies in the poor areas for the supply of pure ghee, milk, etc., and they must have a few co-operative dairies. Next to them in the colleges there must be co-operative societies for the supply of stationery, and then there should be co-operative stores for the middle class people.

535. Where for example are these co-operative societies going to get their stationery from? If you wipe out ordinary business and extend this co-operative scheme you will have to go to Calcutta to buy the stationery?—It may be.

536. Will that be good for Delhi?—I cannot say.

537. In what way do you think the industrial bank would help?—By advancing permanent loans.

538. Where will it get the capital from?—By issuing debentures.

539. At what rate?—That depends upon the market conditions.

540. Why can't these industrial concerns float debentures of their own?—It is just possible that in the beginning they may not have possessed sufficient confidence of the public.

541. If they will not have the confidence of the public to get money from them, how will they have the confidence of the bank to get money?—The bank may have confidence in them, but the public may not.

542. Why?—Because it would be a new concern and an ordinary man in the street may not have full confidence.

543. The bank will want some tangible security in each case?—Of course they will offer security.

544. To start a concern by borrowing money from a bank would ensure such a concern failing from the start, say a cotton mill that borrowed its capital from a bank to build and buy its machinery. Beginning with such a heavy debt such a mill could not last long. Have you ever thought of the details of such concerns?—I have not thought of the details.

545. That is a question which is so worrying that people make so many suggestions without thinking of the details.

546. *L. Bal Kishen*: You suggest co-operation for all these things to remove the unnecessary profiteering?—To improve the security of the borrower in case of credit societies.

547. And for other kinds of societies?—Yes, under the present system of competition in Delhi the consumers are not able to get first class materials and therefore by co-operation they will be able to get such materials.

548. By this sort of co-operation which you have recommended in your memorandum you mean to remove the unnecessary middleman?—My object is that the consumers should be able to get good quality.

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549. If the unnecessary middleman is removed the producers and the consumers will join together?—It comes to that.

550. Will you just explain further as to how this *rahti* system is worked?—I have explained just now this *rahti* system. The *mahajans* advance loans and when the amount of loan is sufficiently large, they sometimes change the paper, very often after 2 or 3 years.

551. My trouble is that this is absolutely different from what has been said in other memoranda before us about this *rahti* system. They say that under the *rahti* system you advance a fixed sum recoverable in 12 monthly instalments. That is the *rahti* system as has been described in some memoranda before us. What I gather from your memorandum is that it is a sort of loan given to a man without insisting on repayment and getting the transaction renewed before the expiry of the limitation period. That is like an ordinary loan. You mean by *rahti* a plain loan which is given on a bond or on some security and renewed when the limitation period is about to be over?—This is popularly known as *rahti* system in the city.

552. It appears that different people take different meanings of the *rahti* system.

Prof. Chablani: If the rate is $37\frac{1}{2}$ per cent., it is *rahti* system?—Popularly this is known as *rahti* system.

553. *L. Bal Kishen*: Then there is nothing special in it?—It is known as *rahti* probably because of the rate of interest.

554. Any loan of $37\frac{1}{2}$ per cent will be called a *rahti* loan?—Popularly this is generally so called.

555. In your memorandum you say that there are hardly 10 such persons who have got their houses now. Then among such class of people you will proceed very cautiously in starting co-operative societies?—Why?

556. Because the success of co-operation mostly depends on character?—The *khatiks*' character is very good.

557. But they are extravagant and hence they have lost all their houses?—They have lost their houses because of this high rate of interest.

558. Have you made any calculations up to what figure this rate of interest should be lowered so that they make both ends meet?—I think 6 per cent. per annum.

559. Do you think co-operative societies can advance at 6 per cent., per annum?—Even if the rate is reduced from $37\frac{1}{2}$ per cent. to 10 per cent.

560. What is the lowest rate of interest, so that if the rate is brought down to that figure they will have some savings and they will be better off. It is not a question of 10 per cent. or 6 per cent.; it is a question of actual calculations as to what their actual income is and what their expenses are?—I have not made any calculations.

561. We cannot say whether they are solvent people or not for purposes of co-operative societies?—This much I can say that they are solvent people for co-operative societies; that is my general impression.

562. That is your impression, but the practical experience among certain classes has shown that co-operation could not help them?—In the case of *khatik* community I am sure.

563. This will require a detailed investigation and propaganda and education among the class of people, for which you require a co-operative credit agency to finance them. Which agency will you recommend for this propaganda work?—I think the Co-operative Department itself can carry on the propaganda.

564. This indirectly means more staff from Government for the co-operative societies in these special areas?—Yes.

565. In your memorandum you say that "it is true that in some villages through the influence of western culture the ancient system is slowly changing, but on the whole the change is insignificant". What change do you refer to?—The decay of the indigenous banker.

566. What is springing up in its place?—Co-operative societies.

567. You think that co-operative societies are replacing the money-lenders in villages?—Only in some places, but the change is very insignificant.

(The witness withdrew.)

Messrs. BIR SINGH and PITAMBAR SINGH, Directors of
Co-operative Societies, Delhi.

Replies to the Questionnaire.

A.—AGRICULTURAL INDEBTEDNESS.

568. 1. The illiteracy and ignorance of the agricultural classes is proverbial. They not only resent outside intrusions but regard all enquiries relating to their economic conditions as intended for some sinister purpose. Any attempt, therefore, to make an accurate estimate of their indebtedness is not only difficult but nearly impossible. Only that agency or person who can inspire in them full confidence and impress on them the actual motive underlying such an inquiry would be in a position to obtain some reliable information.

569. The co-operative movement owing to its humanitarian motives can claim to have inspired sufficient confidence of the agriculturists and any information obtained through this agency would be sufficiently reliable.

570. There are 234 agricultural credit societies containing 4,883 members representing 24,910 souls in their families. These are fairly representative not only of the four distinct physical divisions of the Province but also of people of different status in society.

571. Each society is in possession of a register containing information regarding the holdings and outside indebtedness both secured and unsecured separately. This information is recorded annually by the managing committees of these societies and their accuracy is verified by the inspecting and auditing staff of the Co-operative Department. We have collected informations regarding outside indebtedness of our members from these registers and arrived at the following results:—

(i) *Debts incurred by members of co-operative societies:—*

			Rs.
(a) The mortgage debts amount to	..	..	5,66,790
(b) The unsecured debts amount to	..	..	9,65,829
(c) <i>Takavi</i> loans amount to	..	..	51,556
(d) Co-operative societies loan amount to	6,89,453
Total debts amount to			22,68,428

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(ii) Total membership is 4,883 representing 24,910 souls in their families, each member representing one family. The family unit is therefore $24,910 \div 4,883 = 5$ nearly.

(iii) Debts incurred by each member of the family indirectly is equal to Rs. $22,68,428 \div (5 \times 4,883) = \text{Rs. } 93$.

(iv) Total rural population according to census of 1921 = 1,83,768.

(v) Total indebtedness of the agriculturists of Delhi province is therefore $= 1,83,768 \times 93 = \text{Rs. } 1,70,50,424$.

Making allowance for debts concealed from societies we may put the whole indebtedness at 2 crores in round figures.

NOTE:—We wish it to be understood that since figures of population are those of 1921 and the figures for indebtedness relate to the year 1929-30 there is the possibility of under or over estimation according as the present population is less or more as compared with the last census.

572. In order to estimate the amount of the debts according to different forms of securities we selected 12 representative villages of this province and on making an intensive study in them arrived at the following results:—

Serial No.	Form of Security.	Estimated Debt.	Percentage to the total debt of the 12 villages.	Estimated debt for the whole province, taking the whole indebtedness at Rs. 2 crores.
1 (a)	Mortgages	Rs. 1,29,189	23.1	Rs. 46 Lakhs.
2 (b)	Concealed under Judicial sale	7,340	1.4	3 Lakhs.
3 (c) i	Houses	Nil.	Nil.	Nil.
(c) ii	Ornaments	18,988	3.4	7 Lakhs.
(c) iii	Agricultural implements and crops, etc.	Nil.	Nil.	Nil.
(c) iv	General assets	3,87,166	70	1,40 Lakhs.

NOTE I.—The figures for 2 (b) are obviously conjectural because the debts thus incurred are intended to evade the law. Hence not truthfully revealed.

NOTE II.—Figures for 3 (c) (ii) also appear to be under estimates. The pawning of ornaments is regarded extremely derogatory to one's respectability and the amount thus borrowed is concealed with a vengeance.

NOTE III.—Under general security all unsecured debts of the money-lenders and those of co-operative societies have been included.

573. In those 12 villages we made further inquiries regarding the different purposes for which those debts have been incurred. The results obtained have been compared with the corresponding figures

of analysis of the purposes of loans in co-operative societies available for the last 4 years:—

Results of oral inquiries.				Analysis of loans advanced by co-operative societies within 4 years.				
Serial No.	Purpose of debt.	Amount of debt.	Per cent. with total debt.	1925-26.	1926-27.	1927-28.	1928-29.	Average.
		Rs.						
(a)	Repayment of old debt.	52,096	9.3	29.5	25.5	19.0	1.0	19.0
(b)	Marriages and other social functions.	73,294	13.1	10.0	10.2	8.2	1.6	7.5
(c)	Famine and other distresses.	61,355	10.8	9.3	36.0	22.3	42.7	22.6
(d)	Payment of land Revenue.	29,681	5.3	6.5	4	7.8	5.9	6.5
(e)	Compound interest accumulations.	1,41,400	25.3	..	..	..	..	..
(f)	Seed and manure	70,026	12.5	2.3	35	5.8	24.6	16.9
(g)	Improved Agricultural Implements.	2,410	0.7	0.31	..	0.8	2.1	0.8
(h)	Sinking wells and Agricultural implements.	20,310	3.6	1.5	2.5	2.6	0.6	1.8
(i)	Payments of wages to labourers.	2,587	0.4	..	0.5	3.9	2.2	1.7
(j)	Litigation	8,200	0.1	.25	..	..	..	.06
(k)	Purchase of cattle	37,745	6.8	19.5	25	36.5	14.9	23.9
(l)	Purchase of Land	35,311	6.3	4.5	1.8	0.4	0.2	1.7
(m)	Construction of houses.	17,692	3.1	7.8	9	5.4	1.4	5.9
(n)	Education	3,300	0.5	0.2	0.2	.1
(o)	Takavi	200	0.03	No figure available.				

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574. It may appear that the figures in the two columns do not coincide in some cases. It is partly due to the fact that co-operative societies as a rule discourage loans for unproductive purposes and partly because the figures supplied orally should be naturally taken at a discount.

575. There is only a limited number of landlords owning above 100 acres each. As the debt usually increases with the greatness of the holding the bigger landlords, too, borrow for all the purposes enumerated above. There are exceptional cases (15 per cent. nearly), however, of big proprietors who are comparatively free from debt and who do not borrow for agricultural operations but confine their borrowing to unproductive purposes.

576. The revival of the old village *panchayats* is likely to reduce expenditure on wasteful purposes, and the organisation of the people on co-operative basis will check unproductive borrowing and make people morally and intellectually strong. This fact is borne out by the statement on prepage giving an analysis of the purposes to which loans advanced by the co-operative societies are put.

577. Extension of educational facilities to rural areas should also exercise a restraining effect over unthrifty loans.

578. To induce the people to borrow more and more for productive purposes it is necessary that they should be made to feel interested in their occupation. This is possible only when their small holdings are consolidated, irrigation is extended and the benefits of improved agriculture are demonstrated to them. Means of communication should be improved and the markets should be properly organised and regulated. In fact it is only after a truly commercial spirit has been imbibed by them that they will begin to realise the latent potentialities of their resources and greatness of their occupation.

579. This debt is largely due to the money-lender. Other creditors are *zamindars*, co-operative societies and the Government.

580. 2. The prevalent rates of interest vary with the nature of the creditor. Government charges about 6 per. cent. on loans advanced under the Land Improvement Act. The amount of interest is added to the principal and the whole amount is recovered in half-yearly instalments. In case of default repayment is enforced by the sale of the land.

581. *Co-operative societies*.—The primary societies obtain loans from Central Bank at 9 per cent. and distribute them among their members at 12½ per cent. on personal securities. Simple interest is charged half-yearly and the principal is repayable in half-yearly instalments. In case of default arbitration through the Registrar is resorted to and the award is executed in a civil court.

582. *Money-lender*.—Apparently the rate varies from 12 to 24 per cent but owing to the malpractices of the astute money-lender the rate of interest amounts to usury. Compound interest is frequently charged. Repayments are demanded at the harvest time and in case of default claims are enforced through the village *panchayats* or the civil court.

583. *Zamindar*.—The rate of interest and the system of its calculation resembles those of the money-lender, but in case of default he generally gets the land mortgaged to him.

584. 4. The land of the smaller *zamindars* are neither passing to the bigger ones nor to the money-lenders to any large extent.

585. 5. Land is frequently changing hands but efficient farmers neither part with their property nor turn into tenants to any appreciable scale.

586. 7. In addition to interest on loans and not in lieu of it the *zamindar* money-lenders extract labour particularly at the time of cultivation on land for which entertainments are provided. This practice is limited to a small extent.

587. 8. The transborder money-lender has now found his way in almost the whole of the rural area of the Province. His clients are village *kamins* and only those agriculturists who have exhausted their credit in the public. He is to be seen in different forms, *i.e.*, *beopari*, the Panjabi *kaparia* and the *Pathan*.

588. The *beopari* is a butcher who brings bullocks from outside districts and sells them on credit to *zamindars*. Apparently no interest is charged, but he keeps a heavy margin of profit on the cost price. The period of repayment is generally one year to two years covered by half yearly instalments. The effect of this bargain is that the purchaser has to pay an abnormally high price for the animal bought.

589. The second type of this agency is the Panjabi *kaparia*. He is Mohammedan of the Western Districts of the Punjab. He generally brings ready-made clothes and sells at high prices on credit for a period of six months. No interest is charged, but the margin of profits covers it. He is awfully dreaded by the people.

589a. The third type is the *Pathan* who first appears as a hawker dealing in petty articles and after some time takes to money-lending.

590. It is generally an organised set of usurers having their headquarters at some central town or big villages and keeping their agents in each village. Their clients are generally the small industrialists, village *kamins* and the *zamindars* with poor credit in the public. Rate of interest is very exorbitant ranging from one anna to four annas per rupee per month. This comes to from 75 to 300 per cent. per annum. He is also, like the *kaparia*, a very dreadful creditor. He has begun to deal on the *rahti* system too.

591. The *rahti* system owes its origin to Bikaneri *Brahman* and Muradabadi *rahtia*. The former appeared first, and has recently been followed by the Muradabadi. The system requires an explanation.

592. The *rahti* is a unit of Rs. 10 payable in 12 equal monthly instalments of rupee one. The creditor at the time of advancing the loan deducts as, 4 per unit of *rahti* as his *nazarana*, commonly known as *multana*. The rate comes to 37 per cent. per annum. This system of *rahti* is prevalent among small industrialists, labourers and *zamindars* having monthly income. The Mehrauli *ilaga* and the borders of the Jamna river are its favourite places. The incessant famine and the successive failure of crops for the last 2 years have given a set back to this system. There have occurred frequent defaults and people are trying to extricate themselves from this vicious system of money-lending. Default in regular payment involves an additional penal interest of 1 anna per rupee per month.

593. *The loan banks.*—These are of very recent origin. We have so far heard of two different companies, *i.e.* The Peoples International Education and Commerce, Ltd., and the All-India Mutual Aid and Poor Houses Association, Ltd. The first has entangled a very large number of the villagers of this province during these days of scarcity.

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594. According to its bye-laws a person requiring a loan must become a loan candidate first. To do this he is required to pay an entrance fee and candidate fee which total to over Rs. 50 for a loan of Rs. 500. The candidate fee is paid in instalments and is spread over a period of several weeks. In addition to this the applicant has to secure within the specified period two more *bona fide* and genuine loan candidates. On fulfilling these conditions a loan at rate of 1 per cent. per annum is granted and this is repayable in monthly instalments, credit being given for the candidate fee paid by the applicant. This is a chain that never ends.

The second form that has followed the first is on a lottery system. They require 100 men to contribute Rs. 8 each and issue receipts to all the contributors. Every month they pick out some cases by lot and advance Rs. 100 paying each Rs. 85 in cash. Rs. 15 are deducted as interest in advance. The loan is repayable in monthly instalments. Exact particulars of their articles and working are not as yet available.

595. 9. The Usurious Loans Act is not being availed of to any appreciable extent. This is due mostly to the deplorable illiteracy and ignorance of the agriculturists and also to the want of time on the part of the civil courts to study the history of each loan in dispute.

596. Free and extensive publicity of the intentions and important provisions of the Act should be made among the agricultural community. Arbitration Boards and Village *Panchayats* should be formed and the civil courts advised freely to refer to them the disputes concerning cases of old loans.

597. 10. Yes, the enactment of legislation in connection with the publication and regulation of accounts of money-lenders would prove useful to check many of the malpractices of the money-lenders and ensure better transactions. It will remove the sting but the snake will remain there.

598. 11. There are no village arbitration boards or village *panchayats* in this Province.

B.--FINANCE FOR AGRICULTURAL PRODUCTION.

599. 12. (a) The cultivator obtains finance for the purpose of cultivation from the village money-lender, co-operative society and *takavi* from the Government. His chief requirements for this purpose are seed, material for *charsa* and *Persian* wheel, reaping expenses where agriculture is on an intensive scale and cattle. The village money-lender always advances in kind for seed and cattle and only petty cash amounts for other requirements. The advances in kind are calculated in cash at higher rates and interest is charged at the rate of annas 2 per rupee per half-year. The repayment is received in grain at a cheaper rate. Interest is realised for full harvest of six months even if payment is made earlier.

Co-operative societies advance in cash for all purposes at a fixed rate that is allowed by the bye-laws.

Government in years of scarcity advances *takavi* loans in cash at a fixed rate.

(b) There may be only a few cases in which a money-lender is ever known to have advanced any money for capital and permanent improvements. The co-operative societies on the other hand liberally advocate

such investments. The Government too under the Land Improvement Act advances *takavi* loans for sinking wells.

(c) During the period of failure of monsoons, as at present, the money-lender thinks twice before he advances further loan. He confines his dealings to only a few selected clients whom he cannot dispense with at any cost.

600. He advances loans for land revenue to only those who make payment on the harvest concerned. The *zamindars* who are well-off pay land revenue from the income of their own produce.

601. The co-operative societies and the Government on the other hand adopt a more liberal attitude under such adverse agricultural conditions. Hardly $\frac{1}{3}$ rd of the whole finance for seed, cattle, etc., is provided in cash. The rest is all in kind.

602. For seed and other cultivation expenses the money-lender charges a higher rate of interest. It is 24 per cent. without exception. The borrower has to pay interest for full six months even if the payment is made earlier.

603. The interest for the sinking of wells or other permanent improvements is 12 to 18 per cent. and in case of land revenue, fodder and grain, etc., it is the same.

604. Loans for cultivation purposes and land revenue or fodder, etc., are taken for one harvest (6 months), those for cattle from one year to two years and for permanent improvement, etc., for three years. No loan is given for longer than three years in any case.

605. Loans for all purposes are given generally on the security of the general assets of the borrower without any specific pledge. The agriculturist money-lenders give loan on the security of land. The system of advancing loans on house property is not common in the rural area. Ornaments are pledged only when the credit of the borrower is at stake. The practice of pawning is common among *Gujars* on *Mehrauli* side. The rate of interest on loans for the purpose of cultivation is exorbitant. There is no difference in the rate of interest for cash advances and loans in kind.

606. The Government of this province distributes on an average of Rs. 40,000 during a normal year and raises the amount in years of famine and scarcity. The Imperial Bank of India and joint stock banks do not concern themselves with the finance of agriculture. The co-operative societies are playing an important part. About Rs. 1½ lakhs loans are advanced every year to their members. The statement on page 56 will show that the major part of these loans is for the finance of agricultural industry.

607. No indigenous banks assist in financing agriculture. Zamindars and money-lenders too play an important role, but rate of interest is very high which discourages liberal investment in this industry. The merchants and other institutions have no concern with it.

608. 13. The Agricultural Loans Act is frequently availed of particularly in these days of scarcity and famine. But the loans do not seem to be conferring any special benefit on the borrower, owing partly to the fact that the sums granted are generally small and partly because of the delay and vexation that is involved.

609. The Act can be more beneficial only if the procedure is simplified and the amount is consistent with the requirements and their application is closely watched. The distribution, if possible, should be

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arranged through the Co-operative Department which comes into closer contact with the agriculturists.

610. 14. There is absolutely no co-ordination among the different financing agencies. The only possibility of such a co-ordination is between the Government and the co-operative movement. The loans advanced by the Government in the form of *takavi* can be distributed through co-operative societies with a greater advantage and convenience to the agriculturists.

611. 15. We have stated in question No. 12 the defective system of financing agriculture by the money-lender as he always insists upon advancing in kind. The articles supplied are of the worst possible quality at abnormally high prices, thereby affecting the efficiency of the production. The co-operative societies and the Government which advance in cash cannot also guarantee articles of good quality. The cultivators have to buy those from markets or village shops.

612. The remedies that can be suggested to remove these defects are as under:—

1. Seed and agricultural implements depots, preferably on co-operative lines, should be started at central places in the rural area.
2. Information bureaux should be started to supply necessary information.
3. Demonstration farms by the Agricultural Department should be introduced.
4. Cattle breeding farms and societies on co-operative lines should be established.
5. Frequent exhibitions of cattle and agricultural produce.
6. Demonstration and propaganda through demonstration cars and lorries and cinema films.

C.—FINANCE FOR MARKETING.

613. 17. The following are the marketing centres in this province for various crops:—

1. Delhi:—Market for all kinds of produce including vegetables.
2. Shahadra:—Market for *gur*, sugar and to some extent grain.
3. Najaf Garh:—Market for barley, gram, wheat and *bajra*.
4. Narela:—Market for *gur*, chillies, wheat and to some extent cotton.
5. Mahrauli:—Market for barely, gram, *bajra* and to some extent *jawar*.
6. Masjid Moth:—Market for tobacco.

There are also petty local markets at Karala, Kanjhawla, Jhangpur, and Bawana. Local produce to a very small extent is disposed of through them.

614. 18. The major portion of the produce is purchased by the money-lenders who store it either to advance to their clients or, in case the grain market is favourable, to sell it to outside market.

615. The bank and bankers, etc., play no direct part in marketing. At markets other than Delhi the grain is taken by the money-lenders or

shopkeepers dealing in grain business. In Delhi it is purchased by the commission agents and *artias* who dispose it of to merchants and firms.

616. There appears to be no co-ordination among these different classes with the exception that it exists sometimes between commission agents and firms. The marketing if undertaken by co-operative commission shops would be of great advantage to the cultivators.

(a) The charges paid by the cultivators to the money-lender are none. The latter credits the price of the grain not according to the market rate prevalent at the time of the delivery of grain but half a seer more than the cheapest rate during the season.

(b) The charges of the commission agent or the *artias* of Delhi market are as under:—

1. *Garda* or dust up to half a seer per maund or more according to the quality of dust in the grain.
2. *Dharmada* or *Gaoshala*:—One anna per hundred rupees.
3. Sweeper and *Piavs*, etc.:—Two seers per cart-load.
4. Weighing charges:—Six pies per bag of about $2\frac{1}{2}$ maunds.
5. Commission:—Four annas to one rupee per Rs. 100.

(The rate varies with the nature of article and the *artia*).

The commission is either paid by the purchaser or half and half by both the purchaser and the seller.

617. The charges in the mofussil markets are certainly higher. Moreover the weights are not standard as in Delhi market. The complaints of under-weighing are very common and most serious. There are no charges other than those mentioned above.

618. 19. (a) The practice of storing grain by the agriculturists is hardly known in this province because he is constantly harrassed at the time of harvesting by his creditors to pay up his obligations. In the case of only those agriculturists who are free from debt the grain is stored in their houses in closed rooms. No bags or other material is used for storing.

(b) In only very rare cases the grain is stored at the market in expectation of more favourable rates. There it is stored in bags for which the owner has to pay rent according to the custom of the place. In this case alone the stored grain is utilised as security for obtaining credit, which is generally 75 per cent. of the estimated price of the grain. Interest at $7\frac{1}{2}$ per cent. has to be paid on such advances for the actual period.

619. 21. The harvesting reason coincides with the major requirements of the agriculturists, e.g., ceremonies, land revenue, rents added by pressing calls of the creditors to pay up their dues. Naturally therefore it is the only time when an agriculturist requires the greatest possible facilities for credit to enable him to meet his immediate urgent obligations and withhold his produce if he finds the market unfavourable to him.

620. At present no such facilities exist in the mofussil markets. In Delhi market of course some facility is offered by advancing up to 75 per cent. of the estimated price of the produce stored and that too is rarely availed of.

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621. 23. If proper credit facilities be provided during marketing there are possibilities of forming pools. This should be undertaken at Government expenses, co-operative effort is not likely to be successful in the matter of transport; but in the matter of marketing co-operative commission shop is the best method.

D.—THE LONG PERIOD LOANS FOR AGRICULTURE.

622. 25. There is an appreciable demand for long term credit in this province generally by the small cultivator owing to his having un-economic holding and also by the upper class of the landholders to some extent.

623. 26. There is no such institution in this province which gives long term credit on the security of land to the agriculturists or tenants except Government which distributes *takavi* for sinking wells to the landlords only.

624. 27. In the case of *takavi* loans under the Land Improvement Act the note on question No. 13 holds good.

325. 29. The Land Alienation Act is the only legal impediment known to us to the mortgaging of agricultural holding; but it has no adverse effect on the agriculturists' capacity to raise capital for long periods.

626. 30. There are no mortgage banks in this Province.

627. 31. There are no land mortgage or any other banks for the provision of long term credit in this Province.

628. 32. In our opinion a mortgage bank on co-operative lines is the only suitable form of institution which can be worked to the advantage of the landlord and the tenant. A copy of its model bye-laws* is attached for reference.—

- (a) Please refer to bye-laws 21 to 32.
- (b) The capital should not be restricted. Value of share should not be more than Rs. 10 payable on admission.
- (c) Does not arise.
- (d) Please refer to bye-laws 26 to 51 which relate to the period and other conditions of such loan.
- (e) (i) Deposits from members and non-members should be taken for long periods and the time of repayment should coincide with the time of recovery.
- (ii) Loans from central institutions should be spread over considerably long period in half-yearly instalments.
- (iii) No debentures should be allowed to be floated direct by central banks. They should be allowed to be floated by the central financing institution which should only be the provincial bank.
- (f) The debentures should carry Government guarantee for interest only.
- (g) When the public is not coming forth for buying debentures the Government should give an impetus by buying a part of these from its own treasury.
- (h) Yes, the debentures should be included in the list of trustee securities.

*Not printed.

629. **33.** Deposits should be taken for long periods payable in recovery seasons. Loans from central institutions should be taken for long periods repayable in half-yearly instalments in recovery seasons.

630. Debentures should be transferable and their payment should be so arranged that the bank should not be embarrassed by heavy demands at one time. Interest on all the different forms of liabilities should be payable half-yearly in recovery season. The Government should guarantee the interest up to a certain rate in case of debentures only. There should be no liability for other forms of borrowing.

631. Money should be lent on interest at at least 1 per cent. higher than the rate of borrowing.

632. **35.** In case Government undertakes any financial obligation as suggested in questions Nos. 32 and 33 a Government official who may have knowledge of the agricultural conditions should be kept on the directorate as an official member.

E.—INDUSTRIES SUBSIDIARY TO AGRICULTURE.

633. **38.** From an industrial point of view the rural area of the Delhi Province is backward. Only the following few industries exist to a small extent:—

1. *Gur-making*.—This is confined to the canal-irrigated area but the actual work of *gur*-making is performed by professional *kahars* belonging to U. P. There is not much scope for this industry here.
2. *Garden produce*.—Most of the garden produce industry is confined to the suburbs of the Delhi city specially on Subzimandi side which extends over to Badli, a place about 7 miles from the city. The *malies* of the Delhi city take long contracts from the landlords and sell the produce in Delhi market.
3. *Hand spinning*.—This industry is carried on to a very limited extent in *Nahri ilaga* where there is some cotton produce. In the rest of the Province the females spin only the used-up cotton (*logor*) taken out of quilts.
4. *Milk and Ghee production*.—Milk selling is confined to *gujars* of Shahadra, Jhangpura and Shakoorpur side. *Ghee* industry is confined to places away from Delhi city.
5. *Bajri or limestone or chalk extraction*.—These materials are extracted from the strata or the rocks and the beds of hilly streams in *Pahari ilaga* of the Province. This is generally done in the slack season of the year. These industries are impoverished for want of proper organisation and capital.

F.—RURAL CO-OPERATION.

634. The co-operative societies are not money-lending institutions but village banking centres in that they not only give loans but at the same time they receive deposits and encourage savings. This is illustrated by the fact that members of co-operative societies have within a short period of about 9 years saved about Rs. 2½ lakhs in the form of their own capital and besides this the total amount of deposits of members

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and the outside public amount to Rs. 32,840/- in these credit societies. They restrict themselves only to fixed deposit accounts. The amount of such deposits is apparently small, but in a country where money-lending is a paying concern no better results can be expected. However the fact that the amount is increasing every year is a clear indication of their increasing confidence and capacities.

Figures of deposits for the last four years are as under :—

Year.	Amount of deposit.
	Rs.
1925-26	7,556
1926-27	13,505
1927-28	29,372
1928-29	32,840

635. 42 (1) The Central Co-operative Bank has opened overdraft accounts with the Imperial Bank of India, Delhi and the Mercantile Bank Delhi on the securities of Government paper lodged with those banks.

(2) The surplus cash balance is kept with these banks.

(3) Money from one co-operative bank to another co-operative bank or society is remitted through the Imperial Bank by remittance transfer receipt.

There is no other relation with them. It has absolutely no connection with other joint stock banks or the indigenous banks.

636. 43. The defects of the existing co-operative credit societies may be enumerated as under :—

1. Co-operation is a movement of the people. It is therefore directly governed by their mental outlook, general intelligence and their economic life. The rural population of this Province is backward in education and the economic life is poor. Consequently the general understanding of principles of co-operation is poor. The economic position being weak the object of starting societies is considered to be borrowing rather than the improving of their lot.
2. The movement was initiated without proper and direct supervision. Its beginning was rather hasty. The foundation in some cases was therefore unsound.
3. The high prices of agricultural production and the inflow of money during the Great War gave a bad impetus to extravagance on ceremonies. But soon after that there followed the period of scarcity and famines which has weakened the sources of income and consequently the repaying capacity of the agriculturists. This has affected the recoveries in co-operative societies also.

The solution of these defects lies in persistent and patient teaching of the true principles of co-operation, in improving their agricultural resources and in discouraging extravagance with co-operative efforts.

637. 44. The co-operative movement has succeeded to a large extent in meeting the legitimate financial needs of agriculturists, as is clear from the answer to the next question.

The total liabilities of these co-operators as worked out in question i amount to Rs. 22 lakhs nearly out of which co-operative societies' loans come to about Rs. 7 lakhs, i.e., nearly 1/3rd of the whole debt. The co-operative societies advance loans for only the legitimate requirements of the agriculturists, and we think that if he is free from outside liabilities this amount, with the addition of nearly 1/3rd more, will be sufficient to meet his financial needs. This comes to nearly about Rs. 200 per family and the total rough estimate is Rs. 10 lakhs. This does not include long term credit.

638. 46. There is no competition between the co-operative bank and other kinds of banks.

639. 47. The financial concession granted to co-operative societies by exemption from income-tax should be extended for reasons given below:—

1. The co-operative societies are not profiteering concerns.
2. They do not exploit others for the sake of their members.
3. Their aim is service of humanity and they work on the maxim of "each for all and all for each".
4. The members offer the heaviest liabilities which shows the extent of sacrifice which they make for their fellow brethren.
5. They faithfully observe the restrictions on dividends as laid down by the Act.
6. They are open to all and work on the basis of individual rather than on capital. Consequently the exemption from income tax should be considered as a privilege rather than a concession and the co-operative institutions should continue to enjoy it.

As regards the inclusion of debentures issued by the Provincial Bank in the list of trustee securities it is suggested that this privilege should also be extended for attracting funds from the public to the co-operative mortgage banks for long terms and unless the Government gives an initiative either by subscribing to debentures or giving a guarantee of interest on these the required funds may not be forthcoming.

G. NON-AGRICULTURAL CREDIT AND INDEBTEDNESS.

640. The Co-operative activities in the urban areas were initiated very lately. We have so far touched the following communities:—

(a) *Office clerks.*—Most of the people of this class are immigrants from different parts of the country but since they form a distinct part of the urban population we treat them as a community.

The rate of interest varies with the class of clerks. The Government of India clerks who are migratory have to pay a considerably high rate. It ranges from 12 to 300 per cent. per annum. Their creditors are the petty shopkeepers attached to the offices. It is interesting to note that the frontier *Pathan* who is much dreaded in the villages is entangling this class of educated gentry. Now we have a good number of co-operative credit societies among them. They not only finance them but encourage savings and in our opinion the co-operative credit societies are the most suitable banking institutions for this class.

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The other clerks with a comparatively fixed habitation have not to pay so heavy a rate. It generally varies from 12 to 18 per cent. per annum. The shopkeepers and their fellow clerks are the creditors. Co-operative movement is making headway among this class as well.

It is impossible to estimate their indebtedness. They never expose it and neither can we adopt any basis to calculate it.

(b) *Grass cutters*.—There are two types in this class, the *Purbia* and the *Mohammedan*. We have not so far touched the former, but in the case of the latter the rate of interest is 60 per cent. per annum and 3 per cent. additional charges. Their creditors are big grass contractors or shopkeepers.

They have no banking facilities. We have started so far one society among this class.

It is not possible to determine their indebtedness because their debts are of a transitory nature varying from month to month.

(c) *Masons and Agris*.—Common rate of interest is 18 per cent. They have no banking facilities. We have started two co-operative credit societies. It is not possible to estimate their indebtedness for reasons stated above.

(d) *Thelewalas*.—Rate of interest varies from 18 to 24 per cent. Their creditors are big contractors or bankers. They are immigrants from Gurgaon side.

No estimate of their indebtedness is possible for want of statistics. They are generally very highly indebted. Co-operative system is suitable to improve their economic position but they are not loyal clients.

(e) *Shoemakers (Chamars)*.—There are two systems of money-lending among this class, one is the *rathi* system that is Rs. 12/- have to be paid for each unit of *rathi* of Rs. 10/-. A sum of -/4/- is deducted per unit of *rathi* as *nazrana*.

The second system is that the creditor advances a loan of Rs. 100 and gets a bond for Rs. 120 payable within 8 months in equal monthly instalments of Rs. 15 each. No interest is charged. But in case of default, an additional charge of one anna per rupee per month is made.

There are no banking facilities. Co-operative system on industrial lines is the suitable form of credit for this class.

641. 59. The co-operative movement has not as yet touched the small traders. In case of industrialists an initiation was made in 1919 among the shoemakers (*chamars*). But unfortunately we depended upon a private initiation and the movement failed. Now it is being revived among different classes of industrialists but there can be no success unless marketing of their produce is organised.

The financial requirements of these industrialists are not so high as to be beyond the scope of the co-operative movement.

642. 51. In the urban area the credit society is an indispensable preliminary to the co-operative structure. The credit on the basis of thrift should be the general type, and financial independence should be the immediate aim.

643. After establishing the ordinary credit a further step towards the organisation of mortgage banks and house building societies should be taken up. But whatever the form all possible provision should be adopted for full security of the capital.

643. On the side of industries the ordinary credit system is not the suitable type. The industrialists should be organised on production as well as on marketing sides. The requirement of the industrialist is not hard cash but material and an assurance that the finished goods will be disposed of on reasonable terms.

644. In the case of consumers we strongly advocate their organisation on store system with all necessary precautions to safeguard possibilities of losses and dishonest practices. The indent system should not be dispensed with under any circumstances. These stores should be brought in direct touch with produce organisations. The problem of milk and *ghee* supply requires immediate attention. But it should not be attempted on a large scale unless adequate provision of capital and management is guaranteed.

645. The labour classes require thrift institutions rather than facilities for credit. The supply stores should be added to such societies.

646. We may add in the end that no activities in the urban area should be taken up in haste. The urban conditions are not as simple as of the rural areas and by a slight error of judgment the whole co-operative structure is likely to be shaken up.

I.—INDIGENOUS BANKER AND MONEY-LENDER.

647. 55. The following communities practise money-lending in Delhi Province:—

Baniyas (*mahajans*), Brahmans, mostly *bagria*, Hindu *jats*, *gujars* and *ahirs*. The two latter are few in number.

648. 56. The following are the general activities of an indigenous banker or money-lender:—

1. He is a shopkeeper.
2. He deals in grain.
3. He deals in cattle, *i.e.*, takes cattle in repayment of loan and sells it on credit.

He combines all these activities with his banking business to a great extent. Hardly 20 per cent. of his business is in cash and the remaining is all in kind.

650. It is difficult to work out the percentage of money-lenders living exclusively or mainly on money-lending. It may be pointed out however that the number of such men is insignificant in this Province.

651. 57. The money-lender assists in financing agriculture in the following ways:—

1. He gives seed always in kind, from his own store which he always keeps with him and charges 24 per cent. interest irrespective of the status of the borrower.
2. As regards bullocks he will try to supply one of his own which he may have got in satisfaction of his loan from another client, if he has no stock of his own he advances cash but always reluctantly.
3. For the cultivating expenses he advances in cash generally. For trade he seldom assists.

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As regards industries he gives in cash loans for a short term and charges heavier rate of interest. It is to be admitted that he still plays an important role in financing agriculture and industries, etc., but his way of dealing is utterly to the disadvantages of the producer and consequently his credit impoverishes the borrower rather than make him prosper. None of them to our knowledge undertakes to buy shares in industrial concerns or keep deposits with them.

652. 58. (d) There exists no relation between money-lenders and co-operative banks.

653. 60. The money-lender grants loans mostly in kind. He keeps the loan accounts either in the *bahi* or on the judicial bonds. The former system is more common. Loans are advanced either on the personal security of the borrower or in case of a borrower of doubtful or weak credit on the security of some other man.

The *bahi* account does not contain anything else than the amount of loan, purpose and the rate of interest (the latter is illegal but it is generally entered).

The bonds contain the following terms:—

1. Amount and purpose.
2. Period of repayment.
3. Rate of interest and method of calculating it.
4. Sureties if so desired and the necessary witnesses.

The system of issuing cash credit by money-lenders is not known.

654. 64. There is a general prejudice against the indigenous banker in the province, because his dealings with clients are not on sound lines. The prominent defects in his system are as under:—

(1) His main object is to find investment for his capital, no matter whether the borrower needs it or not or whether he applies usefully or otherwise.

(2) His method of keeping accounts is unsound and ambiguous. The borrower is always kept in dark as to his account. He generally uses dishonest practices in calculating interest and striking the balance.

(3) He prefers dealing in kind and undervalues the articles of the borrower when received and overvalues or overcharges his own when supplied to him.

(4) His rate of interest is high and compound interest swells up the loans in a short time making the borrowers helpless. His debt ends the borrower rather itself.

As suggested in question No. 10 the enactment of legislation regarding publication and regulation of money-lender's accounts will prove effective to remove most of the evils. The free application of the Usurious Loans Act with necessary amendments is also likely to improve things. But in addition to legislation an improvement in the mental outlook of the agriculturists by free compulsory education is the real remedy.

655. 66. The money-lender is generally able to meet the demand of his borrowers except in the times of persistent famine as at present. However he never refuses accommodation to his approved debtors, though he may have to borrow from elsewhere. In case of refusal he does not let the borrowers know of the deficiency of capital, but bases it on some fault of his (borrower's).

J.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

656. 79. We took Shahabad Daulatpur village for determining the number of agriculturists having surplus income and the amount of their savings. From our inquiry we found that only 13 agriculturists have surplus income and their annual savings amount to Rs. 9,550 approximately. There are 40 families of agriculturists in that village. But no inference should be based on these results of this village which is one of the prosperous villages of the Province. We have no means to estimate the total savings of the province.

657. 81. The tendency of investing capital in gold and silver is growing rapidly in the form of various kinds of ornaments. Silver ornaments were common before the Great War but now the gold is replacing them.

658. 82. The dominating communities in the Province and their respective habits with regard to the use of money that they earn are as under:—

1. *Jat*.—The desire for a *pakka* house has the first charge on his savings. Next in importance is ornaments for his wife. Marriage, money-lending and litigation are other things that absorb his money.
2. *Ahīr*.—He is well-known for his land grabbing habits. He is rather judicious in the use of money and prefers hoarding to taking a risk by publicity.
3. *Gujar*.—He is characterised by a keen sense of respectability in owning a herd of cattle, a good horse and a pair of gold earrings and his very typical necklacc. The *kaj* is another source of drainage of his wealth. Whereas a *pakka* house and a pompous marriage bring respectability to a *jat* family, the *gujar* earns his respectability by performing *kaj* ceremony with grandeur.
4. *Brahman*.—He finds his money more remunerative in money-lending than in any other form. His rate of interest rises to usury.
5. *Mayo*.—The little money that he may have is invested on bangles and the typically needle-worked sheet and *ghagra* of his wife. He is litigious also.

659. With the exception of co-operative societies no other institution of the kind has touched these classes. The moral effect of these co-operative societies towards imbibing in them the spirit and practice of thrift may be judged from the fact that within a short period of about 9 years, Rs. 2½ lakhs have been saved in the shape of shares and profits. In addition to this the movement is exercising a healthy effect in making them more economic and foresighted in the use of money. This is further supported by the fact that a practical spirit has been roused in them to curtail wasteful expenditure on ceremonies by organising Better Living Societies.

660. 83. The farmer lends to fellow agriculturists generally on terms similar to those of the professional money-lender with the addition that he either lends on hypothecation of land, or gets the land mortgaged to him on settling his loan account. As to investment of surplus money the reply to question No. 82 may be perused.

661. 84. The cheque habit is limited to the urban classes only. The abolition of stamp duty has encouraged its use on a large scale. Generally the educated and the business class of people use cheques.

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The distribution of salaries of Government servants and bank employees by cheques will promote the cheque habit but sufficient facilities for cashing them by the banks should be provided. There is trouble in satisfying formalities at the time of getting them encashed. The system of identification cards introduced by the Postal Department in this respect should be adopted by other banking institutions.

We strongly advocate the use of vernacular scripts in banking.

662. **35.** We certainly support the view that the banking and investment habit in India is of very slow growth. In our view this is due to the following causes:—

1. From our religious point of view collecting and hoarding of wealth is not the real aim of our life.
2. The inherited idea of insecurity on account of the fear of foreign invasions is still in us.
3. Lack of educational and the strong hold of conservative notions.
4. Lack of facilities and real efforts to encourage the habit of saving.
5. Shyness of capital and want of facilities for its easy flow.

In the rural areas co-operative societies and a few Postal Savings Banks are the only means to encourage savings and investment habits. In urban areas, of course, there are so many different institutions. The rural population has practically little facilities for the investment of their savings.

The existing facilities can be extended by opening Post Office Savings Banks in central places of rural areas. But the co-operative movement can do still greater service than any other institution if a regular campaign is made to educate the agriculturists to realise the blessings of savings. Among agriculturists thrift societies encouraging savings in grain are of a unique value.

663. **86.** Postal cash certificates may be popular among the urban classes but they are not availed of in the rural areas.

The Post Office Savings Banks take no particular care to afford all possible facilities to the public. Only the man who knows the value of savings, i.e., the educated and the business man avail themselves of these facilities. The savings bank account is not the primary object of a post office but it is rather secondary. Naturally more attention is paid to the primary work than to the secondary one. We can attract other classes by regular propaganda and by adopting a procedure that is consistent with the nature of their income. We have referred in the last question to thrift in grain on co-operative lines for the agriculturists. This each class requires a separate treatment.

664. **92.** The following suggestions for educating the people to invest savings in productive undertakings may prove effective:—

- (1) By illustrating the productive undertakings through cinema films; as was done in the case of Mandi Hydro-electric Scheme. A similar procedure is adopted in European countries for poultry, dairy farming, cattle breeding, etc.
- (2) By illustrating through tables or diagrams the accumulation of savings at different rates and periods.
- (3) By illustrating comparative merits of productive and waste-ful investments.

- (4) Free and extensive publicity in all scripts of the country and by engaging a regular singing party. Similarly there are several other ways of educating the public of the advantages of insurance and other forms of investments.

665. 94. All the banks are located in Delhi city. The rural area is entirely devoid of such institutions with the exception of about 240 primary co-operative societies.

These banks may be adequate for the urban areas but none operate in rural areas.

666. 95. The following are the places suitable for opening :—

1. *Post Office Savings Banks*:—Chiragh Delhi, Narela, Bawana, Badli, Nangloi, Palam and Kanjhawla.
2. *Co-operative credit banks*:—There is one at Delhi and there is no need of opening any other such bank anywhere.
3. *Mortgage banks*:—Two such banks, one for redeeming mortgages of lands and providing long term credit for the rural area and one for the urban area may be started in Delhi city.
4. *Joint stock banks*.—These can be started at Najafgarh with branches at Narela and Shahdara.

Oral Evidence.

667. *Chairman*: Are you both Inspectors here ?—Yes.

668. Both of equal rank ?—Yes, we are in charge of separate divisions.

669. Has Delhi Province got two Divisions ?—Yes, I (Bir Singh) am entirely in charge of rural areas and he (Pitambar Singh) is in charge of urban and a part of rural areas.

670. *L. Bal Kishen*: They work under the Circle Registrar of Gurgaon ?—First of all the Government gave one Inspector for rural area, because the work was mainly started in that area. Then we asked for another Inspector, but as the work was not enough in the urban area some rural societies were placed under him.

671. *Chairman*: How many co-operative societies are there in the Delhi Province ?—There are 283 in all including 234 agricultural credit societies in the rural area.

672. How many villages are there in the Province ?—305 villages.

673. You say on page 4 of your memorandum that the revival of the old *panchayats* is likely to reduce expenditure on wasteful purposes. How can it be done ?—We find that every body is competing with one another in spending more money on marriages, and death ceremonies, etc. If we have the leaders of the villages combined together, and make them exercise control on people in order to reduce such expenditure, it will certainly help to a great extent in reducing the expenses.

674. Is there a large number of *zamindar* money-lenders in your *ilagas* ?—The number is growing now; but it is not very large.

675. Their methods are the same as those of the *bania* money-lender ?—Yes.

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676. The rates of interest are also the same?—Yes; the only difference is that when the money is not paid or when there is no hope of recovery, then the *zamindar* money-lender takes the land under mortgage. That is the only difference.

677. Is there scope for extending co-operative movement here in the Delhi Province?—Yes. In rural areas there is great scope. We have at present got societies in 175 villages only.

678. What work are you doing in the urban areas?—We have been starting co-operative credit societies. It is only two or three years since the work was started here.

679. What sort of societies have you started in urban areas?—For the present we have 39 societies in urban areas. Out of these ten are in the offices, while 4 are thrift societies and the rest are of people of limited means, *i.e.*, labourers, *tongawalas*, *ghosies*, etc. Educated classes are included in the thrift societies.

680. Is *rahti* system very much in vogue here?—In certain parts it is, but now it is declining on account of regular failure of crops. People are not able to pay their dues punctually and for that reason they are trying to extricate themselves from this vicious system of credit.

681. What is this "Peoples International Education and Commerce, Limited" which you have mentioned in your memorandum?—These are some loan companies having big names. It was recently started. It has only a name.

682. Who is the Director or Manager of this company?—We don't know.

683. Are they still carrying on their operations here?—From Delhi City they have now transferred their headquarters to Balandshahr District, because here some strict action was being contemplated against them.

684. Do you know the name of the Manager or Secretary?—No. They sign their initials in such a way that it is not readable by any person. They don't mention any names. If you want, we can give you the prospectus.

685. *L. Balkishen*.—One of the Directors of the Loans Bank is in jail here.

686. *Chairman*: You said in answer to Question No. 12: "The village money-lender always advances in kind for seed and cattle". Is it of bad quality and supplied at high rate of interest?—Yes.

687. *Prof. Chablani*: The memorandum which you have submitted is the same as those forwarded to us by the Circle Registrar?—The Circle Registrar asked us to send replies to certain questions which your Committee had requested the Registrar to furnish replies.

688. We have got one signed by the Superintendent of the Circle Registrar for the Circle Registrar which word for word is the same as this?—He might have forwarded our original replies to your Committee.

689. *Chairman*: Does the memorandum represent your views or the views of the Department?—Our memorandum represents our own views.

690. *Prof. Chablani*: Kindly turn to the first page of your written memorandum. You speak there of the *haisiyat* register. I want to know, in view of the fact that these *haisiyat* registers are verified by

the inspecting or auditing staff of the Co-operative Department every year, whether the new *haisiyat* registers are really more reliable than the old ones?—Certainly, the latest entries in the *haisiyat* registers are more reliable.

691. You are not of the view that the earlier ones were more reliable because the members then spoke the truth more readily not knowing the importance that will be attached to the entries therein at the time of determining their loans?—In the beginning of the societies the motive of this register is suspected and therefore members either give too high figures in order to attract more sympathies or they give low figures to impress their insolvency. As the security grows they begin to realise the real motive and give more correct information.

692. The Secretary to this committee has addressed you a letter, dated the 8th February 1930 asking for more detailed information on certain points on which you have given us some statistics on pages 55-56?—We have not received the information from the Sub-Inspectors yet.

693. You say that you have not yet received the report from the Sub-Inspectors of co-operative societies. When will you be able to supply us with that statement*?—We shall send it on to the Committee in a week or ten days' time.

694. I notice that the figures of debts incurred by members of co-operative societies as given in your written memorandum differ very much from those figures given in the *haisiyat* register sent to us. How do you account for this difference?—There cannot be any difference.

695. The totals of indebtedness given in your memorandum is Rs. 22,68,000 and odd while those in the *haisiyat* register show only Rs. 14 lakhs and odd?—There were some mistakes in arriving at the total figures which we have rectified later on.

696. But how do you account for such a big difference?—There might be mis-prints also. If you will kindly send me a proof copy of these figures I will be able to correct the mistakes, if any, after proper verification.

697. Are lands ever mortgaged or hypothecated to co-operative societies?—It is not the practice in this Province.

698. There is another difference which I notice here. You have given Rs. 93 as the average amount of indebtedness of each member, whereas I find that it is only Rs. 79.2 in the *haisiyat* register?—Rs. 93 is about the correct figure.

699. Your statement of the total debt of the Province you seem to assume that the members of the village co-operative societies are typical of the whole population and that these societies do not include persons who are exceptionally heavily in debt or exceptionally free from debt. Otherwise you cannot multiply this average of Rs. 93 by the total number of the rural population to get the total indebtedness of the Province?—I think members of co-operative societies are fairly representative of the rural population.

700. Do you think it is so in every village?—In the case of members of new societies, of course, they are not thoroughly representative, but all the societies old and new as a whole are fairly representative.

701. The older your society, the greater must be the influence of your co-operative society on its members and their indebtedness must

*Appendix I.

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naturally be less?—Yes, but in a district where people are extremely conservative and illiterate about 10 years life of crop movement cannot exercise any appreciable influence in the indebtedness of the members.

702. Because of the mutual control and granting of loans mainly for productive purposes, the debt of these members must be smaller than the average debt for the whole rural population. Is it not?—It may be so.

703. You have simply made a mechanical calculation of indebtedness for the whole Province on the basis of your co-operative returns?—Viewing in that light, you might take it to be so.

704. Among the rural population there are landed people and landless people, agriculturists and non-agriculturists including money-lenders. All these people are not members of your societies?—Our societies have as their members agriculturists and landless tenants also.

705. Among the non-agriculturists there must be money-lenders also in the rural areas?—Yes.

706. Will the debt per head be the same then for these classes also?—I don't say so.

707. So, you agree that it is not safe to calculate the total debt on the basis of your returns?—That is our basis, but you might draw your own conclusions.

708. You admit this is purely a guess-work?—I have explained our basis of calculations.

709. You say you selected 12 representative villages. Will you kindly tell us why you call them representative?—From point of geographical divisions they are thoroughly representative. They represent irrigated and non-irrigated areas, mountainous and *khadar* tracts, etc., which are the four main divisions of the Province.

710. I notice from the details you have given us that these 12 villages have a co-operative society each?—Yes.

711. And of the rest as many as 130 villages do not have a co-operative society?—Yes.

712. So then, to work out an estimate on the basis of these figures would be wrong as non-co-operative villages have not been taken into consideration?—Yes, but I have already explained that about a few years working of a co-operative society should not be considered to have exercised any great effect in the indebtedness of the village.

713. So then, these 12 villages are more favourable than the other villages in the *ilaga* and they are not representative ones, as you say, except geographically?—I have explained my point in reply to your previous question.

714. And another thing is that in some of these 12 villages, the co-operative societies have been in existence for long while in many others they are of recent growth?—Yes, but that will not affect the position in any way.

715. It will not affect the average only if the co-operative movement has not decreased unproductive debts?—You should not take 9 or 10 years as a pretty long period. In fact, ten calendar years should be considered as a unit for determining the effects of the co-operative movement which we take for our purposes.

716. In the statement which you have furnished us, you have given details of unsecured debts, society debts and *takavi* loans of your members?—Yes.

717. But in the total you have excluded the *takavi*?—Yes.

718. The total debt comes to Rs. 5,58,138 whilst the societies' debt is only Rs. 67,571, which is only 12.1 per cent of the whole?—Yes.

719. If you add to this the *takavi* debt of Rs. 15,456 and odd it becomes Rs. 83,027, i.e., 14.7 per cent. of the total?—Yes.

720. So that on the basis of your own statement there is no denying the fact that 85.2 per cent. of the total debt is due to the *sahukar*?—That is true.

721. Will you now turn your attention to the mortgages. The figures given by you represent 23.1 per cent. of the total debt. Under the column "Registered Mortgage Debt", however, you show "nil" and under the *benami* mortgage you have shown only Rs. 7,340. Then how did you get the figure under column 2 "Debt on Land Mortgaged"? Are *benami* mortgages included in the land mortgaged shown under this head?—No.

722. So then the figures under the head "Debt on Land Mortgaged" represents the amount of registered and unregistered transactions?—Yes.

723. We cannot therefore rely upon this figure as the correct amount of mortgage money for mortgages recognised by law?—There are unregistered mortgage deeds as well.

724. You cannot assume that the whole amount under old debts has been recognised by law in this Province?—Yes, they are recognised by law.

725. *Chairman*: Up to what sum is an unregistered mortgage deed valid in law? Perhaps you do not know?—No. I do not know the details.

726. *Prof. Chabliani*: So then, whether they are registered or unregistered you think they are popular mortgages recognised by the people as such?—Yes.

727. You have given us a table showing, as a result of your oral enquiries, analysis of loans advanced by co-operative societies within the last four years, i.e., from 1925-26 onwards. On the basis of this statement we cannot find out the real amount of indebtedness under various heads for the whole village because your statistics are obtained from loans advanced to members of your societies only?—We have also collected information direct from the villagers from oral enquiries in the 12 villages.

728. So then, you cannot rely on this table for comparison of indebtedness under various heads between villages which have a co-operative society and those which have not?—No.

729. I mean that this statement cannot be taken as the basis for a fair comparison between the two classes of villages?—It gives only a general idea.

730. You agree that unless you are able to give figures separately for members and non-members of co-operative societies in these 12 villages, the comparison will be of no use?—We are not able to collect correct information or statistics for non-members.

731. Of all the items which you have enumerated under the heading "Purpose of Debt", (b) and (j) alone, viz., marriage and other social functions and litigation, can be said to be amounts spent on wasteful purposes?—Yes.

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732. And all the other debts incurred are for productive or necessary purposes, are they not?—Yes.

733. If you exclude items (b) and (j) you will find that the remaining 85.5 per cent. of these debts are incurred for productive purposes in all these 12 villages?—We have also to take into consideration the amount under item (a) “repayment of old debt” and find out how the old debts were incurred, and for what purposes.

734. You cannot assume that the whole amount under old debts has been incurred on wasteful purposes?—No.

735. And for that you may allow a certain percentage of margin. Taking the percentages for all these years, 90 per cent. for 1925-26, 89.8 per cent. for 1926-27, 91.8 per cent. for 1927-28, and 98.4 per cent. for 1928-29, we arrive at the average of 92.5 per cent. From this we are able to infer that the great bulk of the debt incurred old and new are for productive purposes only?—Of course, that is true. But in a majority of cases they misuse loans even when taken for productive purposes. Sometimes only 50 per cent. of the amount taken is utilised for the purpose for which the loan was secured and the remaining 50 per cent. is spent on wasteful purposes such as marriage and other social functions.

736. There cannot be such a big margin of error in the figures given here for co-operative societies although I agree that there might be a very small percentage of money spent on unproductive purposes as well. But you must admit on the basis of these figures that at least 9/10ths of the debt are incurred for productive purposes in these 12 villages?—Yes, we might take it to be so, but actually about 50 per cent. of the loans are misused.

737. There is no temptation for persons who are not members of co-operative societies to deceive you into thinking that they are borrowing more for productive purposes?—The villagers generally don't tell us what is true, firstly because they do not remember and secondly because they suspect the motives of such enquiries.

738. *L. Shri Ram*: Professor Chabiani only wants to know the reason why the villagers tell you a lie. They have nothing to gain by so doing?—I have already explained the position.

738. Then do you say that ordinarily villagers are liars?—We don't mean that.

739. You say that the villages you have chosen are representative of other villages in the Province and you also say that members of co-operative societies can also be taken to be fairly typical ordinary villagers?—Yes.

740. *Prof. Chabiani*: Then am I to understand that the figures you have given us are only a pure guess?—No, they are figures obtained after personal enquiries.

741. Am I to take these figures for the whole population in the 12 villages as more representative of the figures for co-operative societies' members of selected villages given for 5 years?—I can't say. Personally I think the figures for 12 villages are more representative.

742. You say that the co-operative societies discourage loans for unproductive purposes. Take for example villages numbers 1, 2 and 5 given in your table. You find that expenses on marriage and other social ceremonies are much less than not only in other villages but

also in the co-operative societies for which you have given us figures for 1925-29 in your written memorandum?—It is so, but we can presume that people there are more considerate.

743. You have given us statistics for the whole population in 12 villages where there are co-operative societies. From these figures you cannot draw the conclusion that expenses on unproductive purposes are much less in villages where there are co-operative societies than those where there are no societies?—No safe conclusion can be drawn.

744. You say that debt usually increases with the size of the holding?—Yes.

745. And you also say that bigger landlords also borrow more for all purposes detailed in your statement?—Yes.

746. Do you mean to say that these people are more heavily in debt than the value of their property justifies?—Yes, there are cases like that.

747. You say the debt is largely due to the money-lender?—Yes.

748. Do you include in your estimate the villages having co-operative societies as well as those not having co-operative societies when you say this?—Yes, both.

749. The *haisiyat* register shows that 61 per cent. of the debt of the members of co-operative societies is due to the *sahukars*. Do you agree to this?—Yes, it is a fact.

750. Please turn to the statement No. 2 supplied by you. You say in the last column that since 1920, 51 money-lenders have stopped their dealing in the rural areas of this Province?—Yes.

751. The total number of non-agriculturist money-lenders, according to you, is only 170 in the rural areas of this Province?—Yes, we have excluded petty money-lenders whose number cannot be ascertained correctly.

752. You also find that the number of agriculturist money-lenders is 84 out of this total of 170 plus 84 = 254. This means agriculturist money-lenders constitute 1/3rd of the whole class of rural money-lenders?—Yes.

753. And there has been a substantial decrease of 151 in the number of other money-lenders since 1920?—Yes.

754. Turn to your Statement III*. Are the totals given for the whole village or for the members of co-operative societies only?—For the whole village.

755. And what about the purchase of gold and silver?—That is also for the whole village.

756. What is the basis for your estimate of loans required for land improvement and for wells, etc.?—Obtained as a result of personal enquiries.

757. Did you make enquiries from each individual?—We collected information by having talks with villagers individually.

758. In Statement IV* you say "*mustajiri*". Can you explain what that word signifies?—It means hypothecation of land with possession, say for a long period of 20 years or so.

759. How did you arrive at the figures regarding ornaments?—From personal enquiries.

*Appendix I.

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760. You say that rates of interest are from 12 to 24 per cent. Are they the stipulated rates or the actually realised rates of interest?—They are the stipulated rates.

761. You cannot say what amount is actually realised out of this?—No.

762. Are the rates of interest by a *zamindar* money-lender same as those of the ordinary non-*zamindar* money-lender?—It is practically the same.

763. Even if the agriculturist money-lender takes the land on mortgage with possession?—If it is with possession the mortgagor has to pay interest.

764. Have you ever calculated what the net income would be on a mortgage with possession of land?—I think it will hardly be 4 per cent.

765. Is mortgage with possession general or not?—No, not general.

766. You say in answer to question 4 that “the lands of the smaller *zamindars* are neither passing to the bigger ones nor to the money-lenders to any large extent”. Then how are debts liquidated in the last resort?—It is partly paid in cash and partly in grain.

767. If the interest accumulates, the time will come when the debtor's land will have to be sold in liquidation of the debt?—Yes.

768. If the land is not passing into the hands of the big *zamindar* or of the money-lender, how is the debt liquidated in the last resort?—In most cases interest is regularly paid without any default.

769. There are only two possibilities. Either a man must be able to pay this heavy rate of interest or the land must pass out of his hands?—During good harvest seasons he pays the interest regularly. He goes on paying interest for a long time like that and ultimately his property passes away from his hands.

770. But you say it does not?—I say only his cattle and other personal effects go out.

771. Evidently you have not studied this point well, is it not?—Yes, I have not considered this point seriously.

772. In answer to question 7 you say that the *zamindar* money-lenders extract labour in addition to interest particularly at the time of cultivation, for which entertainments are provided?—Yes this is in vogue to a small extent only.

773. As a matter of fact, in effect this means that substantially lower wages are paid to the borrower?—Yes, but this is not a general practice.

774. You have said that co-operative societies encourage savings?—Yes.

775. Will you please tell us what the total working capital of rural societies is?—I have said that it is somewhere about Rs. 8,98,000.

776. So out of this amount you were able to attract deposits only to the extent of Rs. 13,840?—Yes.

777. What is the proportion of the deposits by members of co-operative societies to the total working capital?—I have not worked that out, but roughly about 25 per cent. of the total.

778. But according to you only Rs. 10,000 and odd represents the savings in the form of deposits of members of co-operative societies out of a total working capital of Rs. 8,98,000 and odd?—Yes.

779. How many rural societies are there which get their working capital independently of the central bank?—I think there are about 10 in all.

780. From the Report of the Registrar of Co-operative Societies for 1928 I find that the figure is only 5?—It might be so.

781. Do you insist on compulsory deposits from the members of your societies?—No.

782. You insist on every member taking up some shares?—Yes.

783. Turning to your urban societies what are your total deposits for 1929?—We have not got figures now. The figures remain varying.

784. It is given as Rs. 50,000 in the Registrar's report for 1929. So that we find that the major portion of your deposits from urban societies rather than from rural areas?—Yes.

785. Your urban societies are more sound than rural ones?—Yes. In all societies of limited liability we have the compulsory system of deposits.

786. And the bulk of the societies in the urban areas are limited?—No, they are almost equal. There are 20 limited societies and 19 unlimited societies in the urban areas and there are two kinds of societies, credit and thrift.

787. What I want to know is whether more than half of the total amount of deposits are derived from the compulsory deposits system in the thrift societies?—I am sure that the vast bulk of these are ordinary deposits.

788. Can you give us a rough percentage?—70 per cent. may be taken to be optional deposits and 30 per cent. compulsory deposits.

789. Will you kindly send us at your early convenience the actual figures according to your latest returns?—Yes, we shall do so.

790. Except in some cases in urban societies there is no case in which the deposits of an individual are greater than the loans taken by him?—That is true.

791. So then the so-called saving is unreal unless you find out that the growth of savings is greater than the growth of indebtedness?—Yes but it is a question of time. The movement is still in its infancy here.

792. You don't ordinarily admit a *bania* as a member of your society?—There is no such restriction.

793. But ordinarily there are a number of members of your societies who do a bit of money-lending in the mofussil?—There are only very few cases.

794. What is the margin of difference between the borrowing rate by the central bank at the one end and the actual lending rate to the individual member at the other end?—Central banks borrow at about 6½ per cent. and the rural member gets his loan at 12½ per cent.

795. On an average for the last ten years do you know how much money has been lent out to the co-operative societies in this Province?—About a lakh and a half, yearly.

796. There are some societies outside Delhi Province. Do they get the same rate?—Yes.

797. On an average your loans are between 4 lakhs and 8 lakhs; in 1921 four lakhs and in 1927 eight lakhs. The average will come to six lakhs?—Yes, this has been the average of outstanding loans against securities.

798. Considering the margin between 6 per cent. and 12½ per cent. the average ever since the starting of the movement in 1919 will work out at Rs. 29,000 a year, and in ten years time it ought to be nearly 4 lakhs?—But the deposits at 6 per cent. have been very few.

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799. I am coming to that. Now, on the other hand the individual member who according to you was borrowing at the rate of 18 per cent. to 24 per cent. before the co-operative society was started in his village and is now borrowing at 12½ per cent. must have saved about 9 per cent. in his interest charges, which means 48 thousands a year. So the total savings should be in the neighbourhood of 9 lakhs?—Yes.

800. Out of this 9 lakhs the Central Bank has got only Rs. 30,000/- as reserve?—That is only 25 per cent. of the profits.

L. Bal Kishen : They have got other reserves also.

801. *Prof. Chablani* : What is your general reserve in the societies?

802. *L. Bal Kishen* : You counted the profits of the whole movement?

803. *Prof. Chablani* : The profits of Delhi only.

804. *L. Bal Kishen* : What I gathered was that you have just worked out these figures on what the Central Bank has lent out. One fourth is in other Provinces and one fourth in the Delhi Province.

805. *Prof. Chablani* : How much of their reserve do the rural societies of your Province keep in the Central Bank?—That might be known from the balance sheet of the Central Bank.

806. *L. Bal Kishen* : My point is that the Central Bank has advanced 8 lakhs to societies. These include societies of Delhi Province and the societies of other urban areas.

807. *Prof. Chablani* : Gurgaon societies are financed directly by the Delhi Central Bank or through any intermediary?—It is financed directly.

808. Out of the loans to societies it seems that quite a considerable proportion of loans is advanced to societies outside Delhi Province?

809. *L. Bal Kishen* : This is the amount of loan lent out to units as the surplus of the Central Bank, because they cannot utilise that amount.

810. *Prof. Chablani* : That means that it is not utilised for Delhi societies. What is the total reserve that you have got?—We have not got figures here. It is about one lakh.

811. You can refer to the *haisiyat* register supplied by you if you consider it reliable, which shows that the societies' reserve is only Rs. 64,000.

812. *L. Bal Kishen* : It is right; add profits also and this will give you the figures of reserve.

813. *Prof. Chablani* : What is the total of the two?—It is about one lakh. Then so far as the Delhi societies are concerned, we have got this reserve and nothing else.

814. *L. Bal Kishen* : In calculating these figures you have also included that 6 per cent. of difference which is between the *bania* rate and the society's rate. That saving comes into the society in the shape of shares. Add the shares and deposits also.

815. *Prof. Chablani* : This is the reserve and then you have got in addition the shares of the bank, which amount to Rs. 65,000?—Yes.

816. So ever since the start of the movement during the last ten years this is the net profit of the movement in Delhi?—Yes.

817. *L. Bal Kishen* : Add Rs. 33,000 of the deposits also of members and non-members.

818. *Prof. Chablani* : (to *L. Bal Kishen*)—Not that of non-members.

819. (*To witness*) Do you find that this movement has actually been able to lower the rates of interest in the mofussil area?—Only slightly in some cases in certain villages.

820. If you take the prevailing rates of interest, are the village rates of interest lower or higher than before?—Only in a few cases of villages they have been lowered.

821. Can you give us instances in which the rate of interest was so lowered?—There may be half a dozen of villages, in which it has been lowered, for instance, Bakarwala, Mitras, Hassanpur Pandwala Khurd, etc.

822. Otherwise generally there is no effect?—No.

823. Is it the popular impression or belief, that the rates of interest are going up?—During the famine time they have gone up.

824. In how many years had you scarcity during the last ten years?—1921 was a scarcity year; 1924, and then from 1928 up to date.

825. Which means 5 out of ten years were scarcity years?—Yes.

826. Have you been able to decrease the total borrowings of the members?—No.

827. Speaking of your own experience as Inspectors of Co-operative Societies, do you find, so far as the primary societies are concerned, any real mutual control by the members?—In a few societies you will find that.

828. In how many?—Hardly 5 per cent. or 10 per cent.

829. Is it a fact that the Central Bank, beyond giving the loan, does not bother itself about the actual working of the societies in the villages?—So far it does not. It however receives the audit note of its affiliated societies every year.

830. Has the borrower become more businesslike and more prompt in repayment nowadays?—Only the man who has got better character. But there is not much improvement in this respect.

831. Is it a fact that so far as recoveries are concerned, the proportion of recoveries to outstanding debts is going down rather than going up?—It is going down simply on account of the famine.

832. Do you find that the Punjab Alienation of Land Act makes any difference so far as the security to the society for the loans that it advances is concerned? Do you find that the Punjab Alienation of Land Act has actually weakened the security to the society?—Yes, it has weakened.

833. Will you please turn to your memorandum. There you have said something about the loans in kind. You say that the loans in kind are also valued on the basis of cash?—Yes.

834. Are the loans in kind never repaid in kind on the *sawai* basis?—Not on *sawai* basis, but when a repayment is made in kind, the value of that amount is given in cash.

835. You seem to suggest that this is really unfair. Is not the price of commodities or produce at the time when the loans are advanced really higher? Is not the price of grain usually higher in October than in April?—Not always. For the last few years I think it was generally higher in the beginning and then it went down.

836. In March or April the rates are generally cheaper than in October or November?—Of course at the harvest season.

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837. So there is nothing unfair in the practice?—But the *bania* takes the rate which is the lowest during the whole harvest season.

838. But the price of the produce is always lower in March than in any other month of the year. The repayment would ordinarily be in the month in which prices are at their best?—The corn is ready in May. Some people keep their corn till June. The money-lender would not credit the price at a rate prevailing on that day but he will allow the lowest rate throughout the whole harvest season.

839. Have you any specific cases to substantiate your statement that the man has repaid in June, but has not credited the price prevailing in June?—I will send you these instances, if possible.

840. You also seem to take exception to the money-lender's practice of preferring to give loans in kind?—This is the practice nowadays.

841. You seem to suggest that this is an objectionable practice?—Certainly.

842. How is it objectionable when villagers need commodities and not cash? Is not the whole economy of the villages one of barter?—If the articles are provided at a reasonable rate, that is all right.

844. The objection is to the prices charged and not to the system then?—Yes.

845. But all over the world a retail dealer dealing in small quantities with small men and trading on a small scale charges a much higher rate than the wholesale dealers?—Yes, he does.

845. Have you ever compared the prices of the dealers in Subzimandi and those in the city?—There is a vast difference—about 50 per cent.

846. Do you find a difference of 50 per cent. in the prices which the money-lender charges to his clients and the prices at which he buys?—It is not so high I think.

847. And there must be an appreciable difference in the buying and selling rate and management charges from his small business if he has to earn his living?—Yes.

848. And his rates for these commodities are the same for borrowers as for non-borrowers?—They differ.

849. You mean that cash rates are different from credit rates?—Yes. In addition to the difference in rates, he charges interest on credits.

850. Supposing the agriculturist has got cash, whence would he get his commodities except from the village *baniya*?—In Delhi he can buy from the market in the city.

851. But he shall have to come from a distance of at least 5 or 6 miles?—The distance does not appear to be so great here.

852. There are other temptations in the city?—Yes.

853. But the *bania* who is conducting business on a small scale in a small village must have sufficient earnings to live if he is to serve the village?—Yes.

854. In reply to Question No. 18 you say that the money-lender takes the whole produce and takes it out only when the corn market is favourable. Who then sells the corn in the *mandis*? If the money-lender corners the whole supply whence does the *mandi* get its supply in the harvest season?—He sells the corn when the rates are favourable to him.

855. But every day in the harvest season some corn is sold in the *mandi*. Who brings it? If the money-lender is cornering the whole thing for sometime nothing can come out in the *mandi* till the market rate becomes favourable?—Partly he stores and partly he takes out.

856. So your suggestion that he keeps the whole of the produce is wrong?—No.

857. Otherwise there is nothing to sell in the market?—He may sometimes store it.

858. But you know that he stores a portion and not the whole?—What I meant was that the bulk of it must be stored.

859. Then the bulk of the produce is not sold in the *mandis* in the harvest season?—Yes.

860. You have mentioned in your memorandum the various charges borne by the agriculturist in the *mandi*. Which of these commissions will your commission shops be able to avoid, if you open co-operative commission shops, as you suggest?—They have to pay these charges, but slightly less.

861. But the bulk of it has to be paid?—Because the practice has to be followed.

862. You suggest in your memorandum that the *arhtis* advance 75 per cent. of the estimated price of the corn when it is stored and charge only 7½ per cent. interest. Will a bank be able to charge less than that rate?—No. The system of giving advances is confined to Delhi market only and does not prevail in the mofussil markets.

863. So there is nothing to gain by substituting an *artia* for a bank for advancing loans on the security of the produce?—That is only a remedy for false rates and false accounts.

865. So then except in cases where the malpractices prevail there is no necessity for any financing agency for advancing money against the produce to be stored?—Yes.

866. You say below then that that facility too is rarely availed of; why?—They want the money immediately.

866. Even if they could keep the produce for some time and get better prices, they would not do it?—No.

868. You have made certain suggestions in your memorandum about mortgage banks. Do you think that in Delhi you could sell debentures on mortgages of land? Is Delhi familiar with debentures?—I have not thought over this point.

869. Can debentures issued on the mortgage of land subject to the Land Alienation Act become a freely marketable and a reliable security?—I do not know.

870. At any rate you have already said that so far as co-operative societies are concerned, the security becomes less because of the Land Alienation Act?—Yes. We do not suggest that the mortgage banks should issue debentures, but we suggest that the provincial banks should issue debentures.

(The examination of the witness was not concluded when the committee rose for the day. This witness was further examined on the 21st February 1930.)

Messrs. Bir Singh and Pitambar Singh.

Thursday, the 20th February 1930.
NEW DELHI.

PRESENT :

Khan Bahadur Diwan ABDUL HAMID, C.I.E., O.B.E. (*Chairman*).

Professor H. L. CHABLANI, M.A.

Lala BAL KISHEN.

Mr. V. F. GRAY, M.L.C.

Rai Sahib Karwar MOTI LAL.

Lala SHRI RAM (*Co-opted member*).

Mr. V. S. MARBALLI (*Secretary*).

Mr. V. K. Aravamudha Ayangar, M.A., C.I.E., Secretary, Indian Central Banking Enquiry Committee, was also present.

**Mr. S. C. FOZDAR, Agent of the Central Bank of India, Limited,
Delhi.**

(Mr. Fozdar was examined on the notes of Professor Chablani's interviews with him which are printed on pages 229-234.)

Oral Evidence.

871. *Chairman*: Mr. Fozdar, you are the Agent of the Central Bank of India, Ltd., at Delhi?—Yes.

872. For how long?—For about 8 months now.

873. And prior to that where were you?—I had been in several places as the Agent of the Central Bank of India, at Karachi, Amritsar, Lyallpur and other places.

874. In answer to question No. 72 you say "If the indigenous banker or even the money-lender of the mofussil was recognised by the Government and given the same facilities for recovery as are open to the co-operative societies, it is possible to make the *shroff* in the mofussil a link between the joint stock banks in big commercial centres and the financing agency in the village". Would you mind making yourself a little more clear? What sort of recognition or facilities have you in mind?—If they are recognised by law it is well and good. Of if they are recognised by Government as *shroffs* they can command better confidence from the joint stock and exchange banks. If these *shroffs* are compelled to keep their accounts in a proper manner they will be able to get better facilities from the joint stock banks.

876. What facilities are you thinking of?—Facilities of discounting their bills more freely, for example. Co-operative banks are having generally in their own possession certain amount of stocks against which they are lending. They are also allowed to take in their possession agricultural lands.

877. *L. Bal Kishen*: Co-operative banks stand on the same footing as an agricultural bank?

878. *Prof. Chablani*: Certainly not.

879. *L. Bal Kishen*: The Land Alienation Act is applied to co-operative organisations exactly in the same way as to non-agriculturists.

880. *Chairman*: Your point seems to be this: that these co-operative societies are enjoying certain protection and privileges which other money-lenders and indigenous bankers do not enjoy. We want to know from you what sort of protection or support from Government you have in mind which you would like to be extended to the indigenous bankers and money-lenders to make them more useful?—The public is under the impression that co-operative banks are practically Government banks or are supported by them. With this goodwill behind them the co-operative societies are competing rather unfairly with joint stock banks and other indigenous bankers so far as attracting deposits are concerned. Moreover these co-operative banks hold a lion over the produce from the land of their borrowers with the result that the borrower himself is left at the mercy of these banks.

881. Later on you say "Co-operative banks and Government through their Post Office Cash Certificates and short period loans in the shape of Treasury Bills compete unfairly with the Indian joint stock banks in the matter of attracting deposits". How will you stop this unfair competition?—Well, we have to take the human mentality into consideration: The policy of "safety first" is the criterion with the public at large. When Government keeps its coffers open and attracts deposits through Postal Savings Banks and Cash Certificates people naturally have recourse to them although a joint stock bank gives the same facilities to the public and offers the same rates of interests. As a result of this, crores of rupees go into the Government coffers and are thus put out of use. In the same way these co-operative banks by offering high rates of interest on deposits work in unfair competition against joint stock banks, who naturally do not find it possible to offer high rates on deposits. On the one side we have to face competition by the exchange banks and on the other the co-operative societies, Postal Cash Certificates and Savings Banks. Supposing I offered $5\frac{1}{2}$ per cent. on fixed deposit and another bank (I don't want to name it) offered 6 per cent. the depositor would naturally risk his money to some extent and place his funds there. But if I too offer only $4\frac{1}{2}$ per cent. as the exchange banks do, then the depositor prefers to go to the latter as he thinks that his money is more safe in their hands.

882. *L. Bal Kishen*: Don't you think it is but natural that the depositor chooses what he considers best and safest?—I don't deny his right.

883. *Mr. Gray*: Don't you think the public confidence in the exchange banks is created by the huge amounts of reserve which they show in their balance sheets?—They don't keep their reserves or invest them in India.

884. But it does not matter where the reserve is?—Not a single depositor looks into the reserve.

885. Then how do the exchange banks interest the ordinary depositor?—These exchange banks have ample funds at their disposal. A merchant who keeps his stock in trade in the godowns of these exchange banks gets special discount rates and other facilities offered to him. As there is a running account between the merchant and the exchange bank, the former naturally makes his deposit also in the same bank. The bank also deals with his export and import bills. We, the joint stock bankers, are placed in a peculiar position. As far as I am aware, in the west, these exchange banks are not allowed to take in deposits. Such being the case, if their deposits are also restricted in this country then there will be any amount of scope for Indian banking. They are using their sword both ways at present.

Mr. S. C. Fozdar.

886. *L. Shri Ram*: Mr. Fozdar, you say that the indigenous banker in Delhi does not finance agriculture, but he helps the trade and industry to a limited extent but does not keep any deposits with any industrial concern. Do you know there are a number of people in Subzimandi and Sadar Bazaar who advance money to agriculturists?—I don't deny there are private money-lenders, but my reference is only to recognised *shroffs*.

887. You say indigenous bankers do not take in regular current deposits but they compete with joint stock banks for fixed deposits. Up to what extent does that competition go?—Competition is there and it cannot be denied.

888. You cannot give any figures?—I am unable to furnish figures.

889. Referring to demand bills you say that "the indigenous bankers purchase the demand bills themselves from the surrounding *mandis* at a rate of exchange ranging between 6 annas to 8 annas per cent." Could you tell us whether these are the rates charged at every *mandi*?—These rates are charged wherever there is no branch of the Imperial Bank of India.

890. I have never heard of such rates. Could you name such a *mandi*?—Palwal or Khurja *mandis*.

891. And what do you think would be the actual cost of remittance *plus* the risk?—It all depends upon the time and the season. These people think that the bills can be re-discounted and they are absolutely certain that these charges will be reduced by 25 per cent.

892. The factor of competition does not work there, does it?—No.

893. When the rates are so high as that how many persons do this sort of business?—Any number of them. I know of 6 or 8 people who have dealings in my own bank and there must be many more of them.

894. During what months of the year does this happen?—From the end of March to June and from the end of October to February during the cotton season.

895. Now what is the need for money in Khurja then?—They don't want money actually but this is the time when the people export their grain to port towns and having no direct connection with people at the port towns they depend on the *artias* for their needs.

896. Now then, the *artias* have to keep a certain amount of liquid cash with them to meet the demands. Does that put them to a loss?—It is absolutely nil. If at all it is about 2 days' interest at the most.

897. Is there any cross trade between Delhi and Khurja?—Money has to go to Khurja.

898. Supposing the Central Bank wants to send Rs. 100 what will it cost you?—It comes to but one pice per Rs. 100.

899. You say that the Imperial Bank charged a discount on cheques exceeding Rs. 5,000 of 3 annas per cent. on remittances between the city branch and the New Delhi branch, within a distance of 4 miles; then do you consider the discount rate of 6 annas too high in the busy season between Delhi and Khurja?—Viewing it that way it is not. But I must say you should not compare this with what the Imperial Bank does.

900. I am not defending the action of the Imperial Bank at all. I am only drawing your attention to the mentality of the traders.

901 *Chairman*: I might make the position clear. Mr. Fozdar has appeared before us on the distinct understanding that he will give us the benefit of his experience on matters of fact in this Province and not

on the policy of his Bank or any other banking organisation. So, we had better confine ourselves to that.

902. *L. Shri Ram*: As regards *hundis* do you think the position of the seller has anything to do? Do you think the position, status and stability of the seller has anything to do to make a difference in the discount rate?—Certainly, it has a lot to do.

903. You say that the deposits in the city are distributed amongst the Government securities, joint stock banks and private indigenous bankers. Which of these forms of deposits do you consider the most advantageous for the City?—Decidedly, the joint stock banks are the best, speaking as a joint stock banker myself.

904. May I take it that your opinion in this matter is a little prejudiced?—Not at all.

905. I am not enquiring of the advantages from the point of view of the depositor. I am asking your opinion as to which you consider the best for the City?—I will say it again that joint stock banks are better.

906. The joint stock banks put 33 per cent. of their deposits in Government paper with the result that to the extent of 33 per cent. of the deposits the public lose?—We have also to look to "safety first" principle.

907. I am not concerned with that principle at all. I am putting it to you, is it or is it not a fact that to the extent of 33 per cent. of the deposits in the joint stock banks are lost to trade?—I cannot admit that. It is not a loss at all. We can convert the paper into cash at any time.

908. Supposing you had 10 lakhs of deposits in your bank and out of that you had put away Rs. 33,000 in Government paper, do you think the Imperial Bank will advance to you later the same amount on the securities which you had purchased a few years ago?—After all the discount is not more than 5 per cent. in any case.

909. I am only concerned with the question whether the full amount invested in Government securities is realisable on discounting them?—I fully appreciate your point now.

910. And to that extent, however much or low it is, the public of Delhi stands to lose?—But 5 per cent. is nothing at all.

911. *L. Bal Kishen*: But don't you keep up the level of your securities always? Supposing you sell away some to-day don't you bring its level up again?—Deposits create credit and credit creates deposits. If I am a borrower to-day I am a lender to-morrow. That process works itself automatically.

912. *L. Shri Ram*: In reply to question No. 60 you have stated that "Loans against mortgage of property are generally shunned by joint stock banks here, though some of the banks a few years ago used to do a substantial amount of this business on a high rate of interests". You consider that an unsafe business now?—It is not only unsafe but the present depression in trade conditions—and I am sorry to say that the present exchange ratio is again responsible for depression in trade—have automatically reflected on the cost of lands, buildings, properties and everything.

913. The security cannot be liquidated at any time and therefore you consider it unsafe, is it not?—That is so.

914. Later on you say "business generally is now in the hands of the indigenous *shroffs* or *sahukars* with an average earning of 12 per cent.

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to 18 per cent." Don't you think this is not a fair statement of facts viewing it from the point of view of a shrewd banker as you are?—That is my information and I believe these to be the general rates.

915. Perhaps you don't know what the indigenous bankers actually realise?—Of course, it must be something less.

916. Don't you think that sometimes—not for speculative purposes but for *bona fide* purposes—mortgage of property is necessary?—Yes.

917. What is your idea supposing a debtor defaults payment and if the joint stock bank or an indigenous banker goes to court; don't you think the court will naturally be inclined to be more favourable to the joint stock bank than to an indigenous banker?—I don't think so. Courts cannot view differently.

918. What is your average lending rate in Delhi? Does it ever exceed 8 per cent.?—Never.

919. And even though you may be able to get 12 to 18 per cent. interest on mortgages of land you don't resort to that sort of lending because you consider it unsafe?—People when they take loans are as docile as anything and when it comes to going to court the borrower is happier than the lender.

920. That is exactly my point. I won't ask for more than 9 per cent. interest if I consider the security safe enough?—We won't like to invest our funds in that way, practically locking up our resources.

921. So persons who advance money against mortgage of land and other property are necessary for the welfare of the country at large?—I dare say these indigenous bankers are necessary institutions but their activities should be curbed to some extent.

922. Could you kindly tell us from your experience what net interest is realised by these indigenous bankers?—They don't realise all the interest that is stipulated in the bond. I cannot think of any concrete instance to quote how much they are actually able to realise. Undoubtedly I have my sympathies with them.

923. You say "the inter-*shroff* rates at Delhi affect the joint stock banks seriously so far as their deposits are concerned. In the market this day-to-day loan business is done in large volumes between the *shroffs* at the rate of 6 pies per cent. per day". So far as my knowledge goes I think it is only 3 pies per cent.?—No, it is 6 pies per cent.

924. You further say that the reason why the *shroffs* prefer to borrow from one another at a high rate of interest rather than from the Indian joint stock banks is partly because they wish to keep the knowledge of their transactions known to as few people as possible, partly because they know each other's financial position more intimately and partly because they have not to go through the formalities which a joint stock bank has to insist upon. Does this not show that the indigenous banker is easier to deal with as he is available at all hours of the day?—From a trader's point of view it is all right, but taking it from the point of view of the joint stock banker it is not so.

925. I will come to your rescue in a minute. You say further: "The joint stock banks do not vary their rates of interest according to the securities offered, because their principle is that the best of securities only should be accepted in the shape of Government promissory notes and approved shares of various concerns". Then if you are, if I may say so, so hard-hearted because you deal with only the very best securities, then to deal with the second best ones, indigenous bankers are a necessity?—I don't dispute the statement. I nevertheless cannot understand your charge that we decline to accept second rate securities

926. It is so according to your own statement as given here that you accept only the very best securities. So then, I say that some institution should exist to deal with second rate securities?—Of course, gamblers also require money.

927. But you agree that, after all, indigenous bankers are a necessity?—There is no doubt about it.

928. Then I note you have a complaint against the Imperial Bank of India and say that their *hundi* rate is generally the bank rate or half a per cent. below the bank rate in the slack season while the joint stock banks' *hundi* rate is generally 1 per cent. over the Imperial Bank rate or reaching up to 9 per cent. in the busy season. Then what is the change that you wish to make?—I don't want the Imperial Bank to compete with the joint stock banks in any manner.

929. So then you will revert to the idea of having a Central Reserve Bank?—So long as the Imperial Bank is made the custodian of the funds of Government it is not possible to prevent competition. If this is stopped to-morrow and they are also placed exactly in our position then we will have no objection whatsoever.

930. Then, I suppose, you are prepared to rub shoulders?—Yes, certainly.

931. You say that the variations in the rate of interest take place between 3 to 4 per cent. during different seasons in the year and you say that it goes down so low as 4 per cent. and has gone up to 8 or 9 per cent. Have you any experience of the variations of the Bank of England rate, for example, in the West?—There is very little difference, if any. It does not deviate more than 1 per cent. either way. And that is the very reason why the exchange banks are able to do their business in a sound manner without any trouble whatsoever.

932. The wide variations in the interest rates in India are hampering only the business of the joint stock banks or are they an impediment to the Indian trade as well?—It affects trade in general and joint stock banks in particular.

933. In answer to question 67 you say that "the banks seldom avail themselves of the facilities offered by the Imperial Bank in the form of supply bills as rates charged are too unattractive for any decent bank". What are the unattractive rates you refer to?—They generally discount at heavy rates and also sell at heavy rates to us. They charge about 2 annas per cent. on remittances which is too much.

934. *Prof. Chablani*: Don't they make some concession in the case of joint stock banks?—They allow some concession only on Telegraphic Transfers over Rs. 5,000.

935. *L. Shri Ram*: My point is, do you consider the rates high and if so what are your views on that subject?—I may say that they should do it free of charge; or at any rate at as low a rate as possible.

936. Then, do you consider that they should have two different rates, one for the general public and the other for the joint stock bank?—Yes, that is advisable.

937. Do you think there is more scope for all sorts of banking in this Province or there are enough facilities existing at present?—As far as Delhi is concerned we have at present enough and more banks.

938. Taking the country as a whole?—Taking the country as a whole we require any number of banks.

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939. But the existing joint stock banks cannot meet that demand?—As long as they have fear of competition from the Imperial Bank and the exchange banks they will not be able to meet that demand.

940. So then, you think the joint stock banks cannot multiply and flourish on account of the present competition from the Imperial Bank of India, the exchange banks, Postal Cash Certificate and so on?—That is my view.

941. Because Government is a borrower through Postal Savings Banks, Cash Certificates and Treasury Bills, you think the traders and joint stock banks suffer?—Yes.

942. The exchange banks in Delhi have huge deposits from the Delhi public with them and they invest or utilise these deposits in financing the imported articles, is it not?—That is so.

943. To your knowledge, do they do anything in the way of helping trade and industry generally in Delhi?—So far as I am aware they only help in the foreign trade of the country and they don't finance the growth of internal trade in this country. Most of the deposits go to cover the fat pay of the agents and managers of these exchange banks.

944. Have you any knowledge of their advancing money on any goods other than imports?—I don't know.

945. *Prof. Chabiani*: Mr. Fozdar, the substance of interviews which I had with you was put together for your final approval, and these interviews were held at different times?—Yes.

946. I am sorry I have to put this on record because I find that some of the members of the Committee have not taken into account the fact that you are being examined on the substance of the interviews which took place at different times and not on a formal written memorandum?—Yes, that is so.

946a. *Chairman*: I quite understand the position now.

947. *Prof. Chabiani*: Will you kindly turn over to your reply to Question No. 56—where you say: "Indigenous bankers do not keep any current account, but they compete with established joint stock banks for fixed deposits". You were unable to give any definite estimate to L. Shri Ram of the amount of these fixed deposits. Presumably these indigenous bankers who receive such deposits are almost all persons who are assessed to income tax. Am I right in making this presumption?—Certainly, they are all assessed to income-tax.

948. If we could get returns from the Income Tax Department showing the amount of interest which these indigenous bankers had paid on deposits, we should be in a position to make an estimate of such deposits?—But the Income Tax Department would not be able to supply such returns, because the indigenous bankers don't give any details in the returns.

949. Supposing we get a separate statement showing the amount of interest paid by the indigenous bankers to the depositors, shall we be in a position to make an estimate of the deposits?—Yes, you can if you get such a statement.

950. I am ignoring altogether the case of an indigenous banker who does not pay income-tax and receives deposits. Am I right in ignoring such cases?—Yes, but you will not get such details.

951. If we get the details?—Then you can arrive at a fair estimate.

952. Because the man who accepts deposits and yet does not pay income-tax is practically unknown in Delhi?—Certainly, the deposits

are not kept with every Tom, Dick and Harry, but with substantial people.

953. You have said in your memorandum that of the total discounting business in the city nearly 75 per cent. of the bills are held over for maturity by the indigenous *shroffs* themselves, the remaining 25 per cent. are offered to the banks for rediscounting. Does this mean rediscounting of *mudati hundis*?—Yes.

954. Could you tell me how much business of this 25 per cent. is done by the Imperial Bank by way of rediscounting and how much by the other banks?—I cannot give you that figure.

955. Can't you say roughly that so much of this was done by such and such a bank?—In fact the exchange banks hardly take any interest in the *hundi* business. Practically 2/3rds and 1/3rd might be the proportion, between the Imperial Bank and the Indian Joint Stock Banks.

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958. Will you kindly turn to the portion of your interview where you say that "it is very common for persons like pensioners to invest their money in *hundis* rather than keep it as a deposit in a joint stock bank. Nearly 10 per cent. of the *hundi* business of Delhi was in the hands of such persons". So this may be looked upon practically as a short time deposit by such persons?—It does not work out in that way. They are permanent purchasers of the bankers' *hundis* also, because when the *hundi* matures, the money does not come out at once, generally the *hundis* are returned by them.

959. What I say is that these bankers and people who are not indigenous bankers in the real sense of the word and buy nearly 10 per cent. of the *hundis* form part of the investing public who keep deposits, and so I am right in considering their purchase of *hundis* as short period deposit?—Certainly.

960. If I am to judge of the habit of investment of the people of Delhi, I must take into account these deposits as short period deposits?—Yes.

962. Again, in your memorandum you say that "of the total funds available for investment from the public about 33 per cent. was absorbed by Government securities including treasury bills, 22 per cent. went into the hands of *shroffs* and the remaining 44 per cent. was got by the banks in Delhi". Does not this really mean what you seemed to imply in your reply to L. Shri Ram, that the banks keep 33 per cent. of their cash reserve in Government securities or something quite different? I understand this to mean that Government securities formed 33 per cent. of the investment of the public including banks and not that Banks invested 33 of their investments in this form?—Yes, you are right. (To L. Shri Ram) Mr. Shri Ram, I am sorry I could not follow you then. Of course our bank also has kept 25 per cent. in Government securities, and here is my answer to your question. But this is an entirely different thing.

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962. Have you ever noticed during the course of your general business experience that these investments in Government securities go up in years of depression and go down in years of active business?—You mean the investments of the public?

963. Yes, I want to know whether people buy Government securities more if trade is slack and less if trade is active. The figures given to us by the Income Tax Department of the amount of interest on Government securities year by year assessed for income-tax at source seems to show that in certain years it goes up very high and in others it goes down. The explanation suggested to us by an officer of the Department is that it goes up in years of depression and it goes down in years of active business. What is your own view in this matter?—I would put it in this way. When trade is brisk and produce is sufficient in the country, money is naturally in demand, and when money is in demand, those who understand the investing business properly, prefer to give deposits at a higher rate of interest to the banks and so they sell off part of their Government paper temporarily to invest it as deposits at a higher rate of interest after calculating the income-tax on it. That is the only explanation, which seems to be correct.

964. I pass on to your answer to Question 59 wherein you say: “of the total amount of means of payment needed for the marketing of produce in Delhi and the neighbouring *mundis*, cash, in the form of silver rupees constitutes as much as 60 per cent., and the indigenous banker’s *hundis* 30 per cent., only 10 per cent. being financed by the joint stock banks including the Imperial Bank and exchange banks”. It is obvious then that even today so far as banking is concerned the indigenous banker is more important than all the banks put together considering the volume of his business in this province?—I should think so.

965. Will you turn over to the next paragraph where you say: “The banks put a limit on the amount of loans against demand bills and usance bills in the case of each individual *shroff*, but there are practically no limits on the amount of money lent against documentary bills. Interest is generally taken in advance”. When the bank puts a limit on each man’s business, you have in mind the general reputation of the man and not the increase or decrease of his business in a particular season. These limits do not go up if you believe he is doing more business?—The limit varies, though not for the particular season, but after every two or three years and in certain cases after a year the limit is increased or decreased according to the volume of the business done by the party concerned. Sometimes we have to obtain sanction for increasing the limit telegraphically from our head office.

966. But once again you judge by the volume of business done by the particular client in the previous season or seasons?—Yes, we take only that into account.

967. Under the present system then if in a particular month his business becomes more because of the increase in his real commercial transactions in goods which are in existence his credit with you does not automatically rise?—No. But the business man is also very shrewd and he does not depend only upon the Central Bank; he has dealings with other banks also.

968. That is alright; each bank individually follows the same policy under the same system?—Yes, that is so.

969. Let us contemplate another system. If every purchaser from a seller had to pass a trade bill and every bank had a receipt of a warehouse showing where the produce was lying, along with the trade bill then you would not be tied down to these limits, because your security in that case would be the trade bills or rather the produce behind the trade bills and vary with the amount of the produce in the market and the warehouse?—That will be more feasible for us if the produce is lying actually in the possession of a warehouse just like customs warehouses.

970. If these trade bills, rather than a system of running accounts between buyers and sellers, came into use and the bills were accompanied by a receipt of an independent warehouse you would readily change your limits in accordance with the volume of such trade bills coming to you for discount and then the system would be far more automatic than the present system, because accommodation would increase with the volume of transactions?—Exactly that will give a lot of more courage to the joint stock banks to invest funds in such business.

971. I now pass on to your answer to Question 68 in which you speak about the mortgage business of *sahukars* and *shroffs*. Apart from the question that mortgage is not really a good security for a commercial bank which has always to keep a large proportion of assets in a liquid form apart from that fundamental objection which every commercial bank must have, there are difficulties of title in the case of a mortgage?—Yes; these lawyers are such that they can twist the same law in any way they like.

972. Apart from that again, if you go to the law court you will find that there is a special procedure laid down for mortgages which provides a preliminary decree and a final decree, which means more time?—Any amount of time.

973. The suits brought by you on pro-notes are quite different. They don't take any time in disposal, but in litigation arising out of a mortgage considerable difficulties are experienced?—It involves waste of time, waste of energy and lot of other troubles.

974. If, therefore, the present *shroffs* lend money on mortgages and charge a high rate of interest they are quite justified in doing so because of the reason you have stated just now?—Yes.

975. A bank or an agency that could lend loans for long periods of time on mortgages must be in a position to get long period deposits otherwise it will be unsound banking?—Yes, for what they call mortgage loans.

976. A commercial bank is not in a position to lend loans for long period by receiving short period deposits?—We do not prefer that business and generally avoid it.

977. In answer to question No. 62 you have described the dealings in day-to-day loans between *shroffs* and you have given various reasons why this business is done by these *shroffs*. Obviously on account of the great advantages which the *shroff* enjoys over you because of these reasons, this sort of business will always remain with him?—At least till the public are properly educated.

978. One of the reasons given by you is to the effect that every man likes that his transactions should not be known except to a few persons, and then *shroffs* knows the position of the other *shroffs* very

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intimately. This advantage will always tell in favour of the *shroff*?—This is so at present but I have found according to my experience in the Punjab that people who were never dealing with banks and were feeling shy in going to them for loans against commodities, were actually taught by us to take money from the banks, and by and by they gave up that habit.

979. Which only means that, if the manager or the agent of a bank adopts the ways and methods of the *shroffs*, he can capture the business?—Yes it will automatically come to this. Both sides will have to adjust their ways. The head of a banking institution will have to keep himself alert and come into intimate contact with his clients, and when people become educated, they will begin to understand that there is nothing shameful in dealing with the banks directly.

980. In your memorandum you have given us an instance of unfair competition. When you talk of the Imperial Bank rate being half a per cent. below the bank rate in slack season and the rate of joint stock banks being one per cent. above the Imperial Bank rate, do you mean to suggest that the Imperial Bank's position should be that of a banker's bank, whereas at present it is competing with you for private business. Is that the essence of your objection?—Yes; that is so.

981. In the last para. you say: "During the months when the Government of India contemplate floating new loans the rate of interest is generally pulled down to 4 per cent. to induce the public to invest their funds in the new loans". There are two possible explanations of this, one is that the Government of India chooses a proper time for floating their new loans, i.e., they float a loan when the market rate goes down; the other is that there is a deliberate manipulation of bank rate in order to facilitate floatation of loans. What exactly do you really mean to suggest?—I am not prepared to reply to that question. This is for my head office to do.

982. But you can generally let us know your views, since you have referred to it?—The existing condition is well known to the whole of India.

983. Later on you say in answer to Question 64 that there is no prejudice in the market against indigenous bankers at all, but so far as deposits are concerned, the joint stock banks have been able to attract far more deposits than the indigenous bankers?—The indigenous bankers actually don't accept all business in deposits that comes to them.

984. Is it a fact that the indigenous banker shuns deposits that might involve him into trouble, unless he feels that his business needs raising money by means of deposits in particular season?—He does not accept like us all sorts of deposits that come to him. We pocket every sort of business that we come across.

985. In reply to Question 67 regarding remittance facilities offered by the Imperial Bank you say that the rates charged are too unattractive for any decent bank. But are not joint stock banks actually utilising the agency of the Imperial Bank for remittance purposes?—It all depends upon the time when they have to do this. If I can find my way to some other course for remittance purposes, I would not go to the Imperial Bank.

986. It is only when you are compelled to go to the Imperial Bank because there is no other means of remittance available that you purchase their drafts?—Yes.

387. You have described a very interesting method by which the indigenous bankers in Delhi compete with the banks in remittance business and drawings on port towns. Is not this severe competition for remittance on the port towns due partly to the fact that by the opening of branches of the joint stock banks and of the Imperial Bank you have practically cut the indigenous banker off from a large source of his income and compelled him to compete with you by cutting rates on port towns?—I don't agree there. Rather we have been of great help to the indigenous banker in remittance business. No indigenous banker has got branches at the different port towns like the joint stock banks and in remittance business we have rendered a valuable service to him.

890. But every one has got a few branches in a few centres. Collectively they have got means of remitting money to places where you have got no branches?—There they are compelled to keep some connections.

990. They are compelled to charge more for the remittances to those places, because you have cut them off from a large source of profit which they used to have on remittance to big centres?—On the contrary, even our existence in Delhi itself is a source of profit to these men because they know that in time of urgent need they can encash their *hundis* immediately here and get ready cash to meet their urgent demands which otherwise they would get after five or six days. So they are saved from all the risk from all *artia* business.

990. I do not mean to suggest that the joint stock banks are not utilised by the indigenous banker when he can utilise them, but what I am trying to suggest is that partly the reason for his severe competition with you in remittance business on port towns is due to the fact that he has lost certain sources of profit which he had formerly?—How has he lost.

991. The more branches of the joint stock banks and the Imperial Bank are started in the mofussil places, where formerly there were no banks, the greater is the loss of his business?—You take that view; I don't agree there.

992. I am suggesting to you a possible explanation that one main reason of his severe competition with you in this business is the broad fact that he has fallen back upon this source now, his other source of profit being cut off?—Are you going to prove that they had more facilities of remittance before.

993. I want to suggest that he had probably more freedom in moving his funds from place to place and therefore greater scope for profitable business which your branch banking had not developed?—But you must take into consideration the present facilities by way of communications and all that

994. I am trying to find out the main cause of this severe competition in remittance business on port towns, against which you complain. Is this one of the factors accounting for it?—I do not give much credit to it, because you see that in the present circumstances, the lines of communication, the transport facilities and every thing have entirely changed his position; in short he is in a far better position now.

995. Just as you suggest that the Imperial Bank should be a bankers' bank and should not compete with the joint stock banks, should not the Indian joint stock banks deal through only recognised *shroffs* in remittance business under certain conditions; and don't you think that there is something in such a system, because it will prevent

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competition between the two agencies which are both necessary for the development of banking in this country?—No. Why should the joint stock banks deal through these *shroffs*?

996. If the *shroffs* are recognised under certain conditions, which means a certain amount of safety—for instance if the accounts are audited and balance sheet presented to you—what is your objection against such a system?—Only this that these things would not satisfy the joint stock banks; and what would be the terms of recognition.

997. If you had the accounts audited by a chartered accountant you are safe whatever the term of the recognition may be?—That is the main factor—the conditions of recognition.

998. Supposing that the terms of recognition are satisfactory to the joint stock banks but at the same time you are requested to give them this guarantee that the joint stock banks in remitting money between different places will not deal directly with the merchant who is not a recognised *shroff*, what is the objection against such a scheme?—I don't think any joint stock bank will allow you to interfere with their internal work.

999. What I am suggesting is this, that if such a system was adopted, looking to the interests of the country as a whole, you will have a better organised system of banking in the country and a greater future for both the joint stock banks and the indigenous bankers?—I don't think you will get the support of the public in that way. In the port towns the system is that generally merchants there don't negotiate bills directly, but through brokers, and if the bank is approached, it is approached by the broker. My experience of 9 years in this line shows that often the bankers will be hit by the brokers. The merchants have every right to approach the bank.

1000. But those who satisfy the conditions of recognition—and the terms of recognition would not create a monopoly—will be safer parties to deal with. The public interests demand that indigenous *shroffs* should be spread out in places where you have no branches and it is necessary to prevent undue competition in the big business centres, because this alone will give encouragement to the *shroff* and improve his position. Just as you have suggested that the Imperial Bank should be restricted from competing in the open market for business with the joint stock banks, precisely for the same general reasons the joint stock banks also should be asked that in case of recognised *shroffs* they should deal only through them in certain kinds of banking business?—To deal through them carries a different meaning.

1001. The question is whether the merchant will get better support from the joint stock banks or not?—It is cheaper for the joint stock banks to deal with him directly than through any other man. I would prefer to appoint the indigenous banker as his own commission agent to negotiate the bills and endorse it to us.

1002. But the indigenous banker feels to be his competitor and is suspicious of you just as you feel suspicious about the Imperial Bank?—We are not talking of suspicions, but of facts.

1003. The fact is you are competitors of the indigenous banker in all big centres?—I don't think you will carry the joint stock banks that way.

1004. Another interesting factor has been brought out by you in your memorandum. A bill on these big ports remits money not only between these ports and the other centres but between the inland centres *inter se*?—That is what you suggest.

1005. Does not this mean that there is far too much centralisation of the money market in the port towns?—It is not collected there any way.

1006. Because you are stimulating drawings on the ports, and at one moment the money will be in the ports so that when all the bills are drawn on the ports, there is a tendency for the money market to be centered in these ports?—Yes, it does work that way but it cannot be helped. Where there are no branches of the Imperial Bank, actual adjustments cannot be made otherwise easily. Supposing a man is at Meerut and he wants to remit money to Jaipur, but he cannot find some one to remit the money from there. He would only go and buy a *hundi* on Bombay and will give the *hundi* to this Jaipur man in payment of his dues to him there.

1007. Mr. V. F. Gray: Mainly because the port town happens to be a big place, and will automatically become a money centre

1008. Prof. Chabiani: If that is a fact, then any unhealthy tendency of credit system in the port towns has disastrous consequences on the credit of the whole country, because the whole thing is centralised there?—It has already some times affected that way. Some times it happens that the failure of a big firm at a port town has very adverse effect on other towns also.

1009. I refer to your answer to Question 68—last line, where you say: "Trade between Delhi and the mofussil *hundi* dealer is generally financed by *hundis* and metallic cash". How can we replace metallic cash?—Educate your people.

1010. May be effected partly by education, but is not it also a fact that if the use of *hundis* became more common, it would automatically decrease the use of metallic coins?—You may reduce the rate of stamp duty on *hundis*; it may have some effect, but still it will not be looked upon so favourably as metal by these villagers.

1011. Leave the agriculturist aside; consider rather a trader. If only the use of *hundis* became more common in the buying and selling transactions, automatically the use of metallic cash will become less?—You are mixing up one with the other. How can you do *hundi* business unless you have got a covering behind it.

1012. Supposing in all the *mandis* you had something like warehouses and the *hundi* passed with the receipt of the warehouse?—Who will do it. The men who assemble on the spot to do the marketing when goods sold are sent to the port town, the *hundi* is drawn against them and sent to that centre for collection.

But when in the local *mandi* it is only credited on the spot from one man to another, do you mean to say that he should also draw *hundi* there? You have actually got the *khati* system in Hapur?—Will it be acceptable to the exchange banks.

1014. You have actually got the *khati* system in Hapur?—Will it be acceptable by the exchange banks.

1015. If they have got a branch there?—Most of them have not got branches in the *mandis*.

1016. Some banks will accept it. What I mean to ask is whether the tendency to stimulate the use of *hundis* in the local market will not automatically lead to reduce the use of metallic cash?—Yes; there is some chance.

1017. You actually know that when banks advance against the security of crops, it has a tendency, desirable or undesirable, of encouraging speculation. It has been suggested to us that the agriculturists may also be given advances against the security of produce.

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Judging from your experience, do you think it will turn the agriculturist also into a speculator?—Is the agriculturist ready to come direct to the bank?

1018. The suggestion is that an agency may be created?—This question can be better replied to by my friend Mr. Bal Kishen who is an expert in co-operative movement. We do not find any agriculturist coming to us directly.

1019. Would it not transfer the risk of speculation to the agriculturist?—Not merely because he is producing on a small scale. An agriculturist may be a big landlord, but his stock is not sufficient to lead him to that tendency. He will try to sell his stock as soon as possible; he would not stock it.

1020. But if he keeps the produce in a warehouse and holds it up for the time when the price will rise?—The risk of fluctuation of the price then falls on the man who keeps it. If the agriculturist does it, the risk will fall on him. But he will not do it.

1021. Regarding your answer to Question No. 72 if the Central Co-operative Bank of Delhi comes to you for a loan, will you feel more confident than when you lend money to an agriculturist?—It all depends upon the security they offer.

1022. Security is the standing reputation of the Central Co-operative Bank. To whom will you be inclined to lend?—It may be anybody who gives me security with sufficient margin.

1023. The Central Bank has got share capital and a certain reserve, it has got a certain standing and it has got the liability of the societies?—But I won't give on that security; it is not the practice.

1024. *L. Bal Kishen*: We never get any accommodation from any bank.

1025. *Prof. Chabiani*: Would you feel more shy of the Central Bank than of the agriculturist?—Of the Central Bank, because the agriculturist is a simple man, he will give his stock in trade, while the Central Bank has only got a big name, its share capital and nothing else. So I will feel shy of the Central Bank.

1026. Would you not give loans to individuals on their general standing?—I would.

1027. To what extent?—To some extent.

1028. Why don't you lend to an agriculturist if you feel that he is safer?—Because I cannot get adequate security from him.

1029. Does the co-operative society get adequate security from the agriculturist?—You may ask the co-operative society man. (Pointing to L. Bal Kishen).

1030. If you lend money to an agriculturist and if you have to go to the law court, you will have to spend some money and incur some trouble in getting a decree; is not it?—Why should we deal with the agriculturist and go to the law court and why should we commit ourselves to that extent.

1031. Now you don't advance money even to the money-lender of the village. Is it because you believe that his dealings with the agriculturist are not sound?—I don't believe that all are of that class.

1032. I am talking of the village money-lender?—We never come in touch with him.

1033. If you were assured that the village money-lender has got effective means of recovering his money from the agriculturist, you

will feel some confidence in lending money to him?—That will be the case with indigenous *shroffs*, whose dealings with the village *bania* depend upon his status and security.

1034. Then all that you are really aiming at in your answer to Question 72 is to make this village money-lender's position as a creditor in the matter of recovery more safe if it could be made more safe. In that case he can be made a link in the general system of banking?—Yes, he can then be.

1035. Your general objection against the Government borrowing money at a high rate of interest by means of Treasury Bills and Post Office Cash Certificates and other forms of investments, is that this takes away money from the money market at a time when it ought to be utilised in financing trade and industry?—Precisely.

1036. And that money is at present utilised for purposes other than trade and industry?—We would have got the deposits at cheaper rates and would have lent money at cheaper rates of interest.

1037. *L. Bal Kishen*: Are not these forms of investments training people in the habit of investment?

1038. *L. Shri Ram*: They compete with private enterprises?—If training is to be done it is to be done by the Indian banks themselves. For instance this Home Savings scheme has brought to us nearly 8 crores of rupees.

1039. *Prof. Chabiani*: Is it not correct to argue that the more the people depend as an investing public upon the prestige of the Government the less is the habit of investment in non-Government concerns?—It is the natural tendency. If people invest in Government concerns, they don't care whether they would thereby deprive a certain company of giving money at a cheap rate of interest, but would only consider whether they are safe.

1040. Considering your clients and the clients of the Imperial Bank, will it be correct to say that the bigger merchants are financed by the Imperial Bank?—The Imperial Bank's present rules do not allow them to give that type of facilities which you are thinking of to big merchants even. So, they don't go to the Imperial Bank.

1041. The Imperial Bank does insist on two signatures?—There is no cash credit system there.

1042. Is it also not a fact that they insist on two signatures and the man has to disclose his business secrets to a friend before he can get the loan from the Imperial Bank?—I have no idea.

1043. Do you give on the signature of one man?—If it is a secure business we give on one signature.

1044. Is there more intimate contact between the indigenous banker and the borrowing public or merchant or between the joint stock banks and the borrowing public. With whom is the personal contact greater?—Joint stock bank I suppose.

1045. Because you are more or less a joint stock bank?—In one way it is correct. The public is more or less in direct contact with the banks.

1046. *L. Shri Ram*: Who comes more in personal contact, the indigenous banker or the joint stock bank?

1047. *Chairman*: Necessarily the bank is an impersonal organisation?—Mr. Shri Ram will be able to tell you more than myself.

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1048. *Prof. Chablam*: The establishment of an indigenous banker is far less costly than that of a joint bank?—Yes.

1049. It has been suggested by a bank manager in Bombay that he found that the establishment of branches of the joint stock banks in India cost far more than the branches of the banks in England. I will just read out to you what he said at one place:—"In England I started my apprenticeship in a branch bank where the entire staff consisted of:—

- (1) A branch manager who was also the cashier and correspondence clerk.
- (2) Myself, a junior clerk or apprentice on a salary of £20 p. a.
- (3) A charwoman who washed the floor, etc., spending about one hour in the office and at a wage of only 6s. per week.

To establish a very small branch bank at Bandra near Bombay the minimum requirements actually are:—

- (1) One branch agent,
- (2) one cashier,
- (3) one clerk,
- (4) one clerk to assist the cashier,
- (5) one sepoy with bicycle,
- (6) one Hamal, and
- (7) one Mali.

The Indian bank officer or clerk cannot and will not accept more than a little work of varied description; from my experience it will appear impossible at present to overcome this difficulty". Do you think that the cost of establishment of a branch of a joint stock bank to-day is unduly high?—While saying this, I am afraid, that gentleman has not taken into consideration so many other factors.

1051. Is it a fact that the branch of a joint stock bank costs much in India?—In comparison to what?

1052. In comparison to the branch of a bank in other countries?—You should explain to me fully. If for three months the work was done by that gentleman single-handed, the reason was that the weather permits that in England. Western countries are much healthier than this place.

1053. That may explain the fact. But what I want to know is whether it is a fact that the cost of starting a branch of a joint stock bank in India is so much higher?—It all varies with the status of a bank. The expenses of my branch are equal to the expenses of three branches of any other Indian joint stock banks.

1054. Do you think there is ample scope for starting branches of joint stock banks costing very small amounts of money?—If economy is properly effected and if the managers in charge of the branches properly handle their staff, there is ample scope for work, if other unfair competition is removed.

1055. Regarding banking education, do you think there is something in the idea that if the indigenous banking community were given modern education, they would really prove better?—The joint stock and exchange banks can easily train them in the higher studies of banking.

1056. Do you think there is some justification for special encouragement being given to the children of banking communities who by heredity or otherwise can take to banking more easily so that they might specialise in the modern methods of banking?—Yes.

1057. Do you think there is any possibility of indigenous *shroffs* acting as agents of Imperial Bank wherever the Bank has not established branches, provided the Imperial Bank did not become a competitor of other banks?—Why should we put them this bait again?

1058. The object is to extend branch banking as much as possible?—But this work can very well be done by the joint stock banks.

1059. The only ground is this—because the Imperial Bank has control over Government treasury—that the public has more confidence in the Imperial Bank as they are custodians of public funds?—If only you remove this competition, automatically we will be able to extend branch banking through the *shroffs* or otherwise. As a matter of fact, now we are competing against great odds.

1060. *Rai Sahib Kanwar Motilal*: Do you know whether the co-operative banks wield any special powers of recovering their dues without going to court, which you cannot?—I have no personal knowledge of the working of co-operative societies.

1061. *Mr. F. F. Gray*: Reverting to the question of Postal Cash Certificates, you have said that they work in great competition with you. Don't you think that these Cash Certificates for Rs. 5 and Rs. 10 are intended mainly for the benefit of the small depositor?—There is no restriction placed on Cash Certificates except that the maximum is fixed. My bank offers the same facilities and we accept Rs. 5 as a minimum deposit.

1062. But you have not got so many branches of your Bank as the post offices in this country?—That is true, but my complaint is that if Government were only to stop this form of attracting money, the small investor will go to his next door, indigenous *shroff* and deposit his money with him.

1063. But the *shroff* cannot be considered to be so safe as the Government?—These *shroffs* command great respect in the villages and so without doubt the small investor will resort to the *shroff* if only post offices would stop this sort of business.

1064. If you do so, will that encourage savings?—Undoubtedly, it will.

1065. *Mr. Chablani* has stressed to some extent his thoughts of warehousing and to have a *hundi* attached to the warehouse certificate. Do you think it is going to help a great deal? The average bank has got its own godown where it stores the goods of its customers and advances money against the security of those goods. And these godown charges are extremely low, but if you have a public warehouse don't you think the charges will have to be more expensive?—That all depends on the way in which the warehouse is maintained.

1066. But you will have to put at the head of this warehouse an experienced and costly man?—As I said it all depends on the way in which the warehouse is manned.

1067. You pointed out that these *hundis* are often negotiated at Bombay or Calcutta?—You are talking of demand bills, but these usancé bills are not at all negotiated outside.

1068. You don't think there is less chance of making the *hundi* negotiable in say Bombay if a warehouse certificate of say Delhi is

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attached to it?—Such bills are negotiated in the same circle without much difficulty.

1069. This warehouse scheme must be a very expensive thing. Do you think it is going to pay?—If it is supported properly then it will pay.

1070. Do you think there is any prospect of securing support to the public warehouse when the banks have their own facilities of warehousing?—I have, no doubt, my own doubts about the scheme.

1071. In answer to Lala Shri Ram you said that exchange banks advanced money only on foreign goods. Is that a fact?—The major portion of their business is in foreign goods.

1072. But don't they advance money against goods brought from Bombay and Cawnpore Mills?—To my knowledge not.

1073. You say that the competition of the branches of the Imperial Bank of India is unbearable to the joint stock banks. Does your Bank get no advantage from the branches. Are you not able to get cash advances at a moment's notice from the Imperial Bank Branches?—Yes, against the security of Government paper. Do you mean to say the Imperial Bank of India keeps some money in reserve to help joint stock banks philanthropically?

1074. Referring to the rate of interest, you have said that the Imperial Bank of India rate fluctuates too often. Is there any means of overcoming this fluctuation?—But may I ask why should the bank rate fluctuate? Why should the Imperial Bank of India control the bank rate?

1075. The bank rate falls down when money is plentiful?—I am sorry I have again got to refer to policy. The present fiscal policy of Government is responsible for the fluctuation. If fiscal policy becomes our own then there will be no trouble at all. When India began to get cheaper money England was keeping higher rate which was an unexpected thing. May I ask whether the Bank of England rate fluctuate as it does in India?

1076. It does fluctuate?—But not to such an extent as it does in India.

1077. Recently the Bank of England rate went up high?—But that was an unprecedented rise.

1078. Dealing with the competition of the exchange banks you said that they should not be allowed to take deposits from this country, with a view to enabling you to get more deposits for yourself and thus enabling you to reduce your lending rate of interest. I agree it is a good policy for you, but may I ask how will you satisfy the business public who are now able to borrow this cheap foreign money?—When the competition from the exchange bank is gone the joint stock bank will be able to tackle the problem well. In spite of competition at present we are trying to hold our own.

1079. As regards facilities for borrowing do you consider that these ought to be made easier? You will of course agree that the existing rates of interest ought to be brought down as much as possible. But do you think it well that the public should be able to borrow more easily than they can to-day?—Possibly you want that money should not be advanced in a loose manner.

1080. Is it not very easy in India to borrow money without any security?—How could that be?

1081. If not how has India got so hopelessly in debt to the money-lenders. I can quite see the point of lending cheaply on proper security. But is it wise to lend without any security?—Do you mean to say that people get money without any security?

1082. *L. Shri Ram*: But it is a fact that money is borrowed without any security.

1082a. *Mr. V. F. Gray*: That is what I am trying to get at. I don't think there is much lending that way. Much depends on the condition under which borrowing is done. If borrowing is done purely for business purposes and both parties are satisfied wherein lies the necessity for restricting the borrowing.

1083. *L. Shri Ram*: But should facilities for unproductive borrowing be extended?—Secure business can be done without increasing the facilities but insecure business cannot be done without increasing the facilities.

1084. Do we want to encourage insecure business, don't you think it unwise to extend facilities of credit?—I agree.

1085. *Lala Bai Kishen*: You are in favour of having uniform rates of interest on deposits by all Banks and *shroffs*?—Yes.

1086. I am only concerned with the co-operative banks. If you advocate uniform rates of interest on deposits then where can the co-operative and other new banks get their money from. The public will naturally go into that agency which they consider most sound and is of long standing?—There is no denying this.

1087. Naturally the co-operative banks will have to keep their deposit rates a little higher?—Yes.

1088. As the credit of a bank goes up you find the deposit rates come down. Even now you will notice that the deposit rates of the co-operative banks are almost on a par with joint stock bank rate?—Naturally things will adjust themselves.

1089. *Lala Shri Ram*: Mr. Fozdar, are you aware that there is an Act of Government under which the Imperial Bank can borrow up to 12 crores of rupees when the money market is tight and thus remove the variations in the bank rate?—I am aware of that.

1090. It will be possible for the Imperial Bank of India to remove the variation in different rates by borrowing from the Government of India?—Yes.

1091. You know that the Post Office Savings Banks for small amounts have always been in existence, but your complaint is against the Post Office Cash Certificates of Rs. 5,000 and below?—Yes.

1092. *Prof. Chabiani*: You think that there will not be variation in the Imperial Bank of India's rates of interest during different seasons if it ceased to compete with you by means of Government balances?—I think so.

1093. You mean if it became a purely banker's bank, using Government balances in the interest of the money market as a whole?—Yes.

(The witness withdrew.)

Mr. S. C. Fozdar.

Friday, the 21st February 1930.

NEW DELHI.

PRESENT:

Khan Bahadur Diwan ABDUL HAMID, C.I.E., O.B.E. (*Chairman*).

Professor H. L. CHABLANI, M.A.

Rai Sahib KALWAR MOTI LAL.

Lala BAL KISHEN.

Lala SHRI RAM (*Co-opted member*).

Mr. V. F. GRAY, M.L.C.

Mr. V. S. MARBALLI (*Secretary*).

Messrs. BIR SINGH and PITAMBAR SINGH, Inspectors of Co-operative Societies, Delhi.

Oral Evidence—(concluded).*

1094. *Prof. Chablani*: Will you kindly turn over to that portion of your memorandum where you have given us the rates of interest and the kinds of money-lenders with whom particular urban communities are dealing. I will take first the non-agricultural societies. Have you made any headway with the intensive survey forms for members of urban societies which I gave to you?—I have not been able to tackle them yet.

1095. You say that the Government of India clerks pay interest ranging between 200 per cent. to 300 per cent. per annum. Have you any concrete cases before you?—I have not got any concrete cases, but I made enquiries through a gentleman who is Head Clerk in the Lady Hardinge College. He is in contact with these persons and we have been able to find out something through him. He gave me the information that some of the clerks were paying high rates of interest even up to 300 per cent. (-/4/- per rupee per month).

1096. He has not given you any concrete cases?—Perhaps he may be able to give concrete cases. He showed me his accounts showing that such and such gentlemen of the Government of India offices were paying such high rates of interest.

1097. Do you mean to suggest that most of these dealings are with the *Kabuli* money-lenders?—Yes.

1098. Are these high rates general in the cases of other creditors?—No. I may tell you that such heavy rates of interest are not paid for all loans; it is only in exceptional cases that such rates are paid.

1098. So far as Government servants' co-operative societies are concerned, have you instances in mind in which these members of the societies had to pay such high rates of interest? Are there members of those societies who have had to pay such high rates to people other than co-operative societies?—Yes.

* Continued from page 84.

1100. Did you make personal enquiries? Can you give any concrete instances?—I made enquiries, but they don't like to reveal names.

1101. You have no means of knowing the names?—No, but I have some suggestions to make. From the purposes of loans which are written in the bonds, I have been able to come to the conclusion that the loans were borrowed from the co-operative societies to pay off the loans which were taken at a higher rate of interest.

1102. Have you got this information from the managing committee of the society?—I collected this information from the books of the society.

1103. The books of the society don't disclose the name of the person from whom they had borrowed?—No.

1104. You have talked here of the grass-cutters paying rates of interest up to 60 per cent. and you say that the creditors are big grass contractors or *sahukars*. Can you tell me the purposes for which these grass-cutters borrow?—The purpose is to take contracts from the bigger contractors. The bigger contractors take Government lands on contract, and these small contractors take a sub-contract from them.

1105. Do you mean that they take lease from the big grass contractors and borrow money from the same contractors?—Not from the same, but from other contractors.

1106. Does it not look rather strange?—I have made enquiries on the subject, and I have seen the bonds and agreements myself.

1107. Can you say how much was the actually realised rate of interest by the bigger contractor?—I have not been able to see all the bonds.

1108. Have you followed any of these cases from the time of advancement of loan right up to the date of realisation?—Yes.

1109. Are these the realised rates of interest?—Yes.

1110. How could you know that from the bonds?—When loans were obtained from the society for payment, some payments were made in my presence. I was instructed by the Registrar to pay the money to the creditor in my own presence.

1111. And 60 per cent. was the rate of interest?—Yes.

1112. You cannot say how much money is generally recovered by these big contractors; it may be that in two cases they may have made full recovery, while in ten cases they may have lost?—I may say that cent per cent. recovery was made in my presence. I cannot say of the other grass contractors.

1113. You mention again that the masons have to pay about 18 per cent. Is there any special reason why this class should pay a lower rate of interest than others?—This depends upon the stability and the fact that they reside in the city. The grass-cutters generally belong to outside districts.

1114. And therefore the security must be less?—Yes.

1115. What are the purposes for which these masons generally borrow?—They borrow for household purposes, for sickness or marriage purposes. Sometimes when they are not able to find labour, they borrow.

1116. I pass on to that part of your memorandum where you talk of consumers' stores (Question 51). Have you ever worked out in detail the difference in prices of *ghee* and milk in Delhi city as compared to a mofussil area, say, 10 or 12 miles off?—I have got the statistics.

Messrs. Bir Singh and Pitambar Singh.

1117. Will you kindly pass them on to me?—I have not got them here; I will send them to you.

1118. What are the difficulties in organising purchasing societies or selling societies?—I have made enquiries only about the supply of milk. The difficulties are numerous; for instance there is the financial difficulty.

1119. Have you in mind the benefit of the consumers or the benefit of the producers in making the suggestion?—I have in mind the benefit of the producers.

1120. Why will you not have in mind the benefit of the consumers?—I have not been able to study the conditions of the consumers.

1121. You don't expect any financial difficulty in the way of organising consumers' society?—There is the difficulty of distribution in this case but no difficulty of finance.

1122. Bearing in mind the conditions which you have described about the rates of interest that urban classes have to pay, don't you think there is enough scope for employment of money, in the city of Delhi itself?—There is sufficient scope, but who should run credit societies?

1122. Do you mean to suggest that the right sort of persons in urban areas are fewer in number than in rural areas?—It requires an explanation. The urban people are very difficult to handle, while it is very easy to lead the village people.

1124. Then you think that the organisation of co-operative movement in villages is far more easy than in urban areas?—Yes. I have organised societies in offices. Where educated people are concerned, I find no difficulty.

1125. But the percentage of educated people in urban areas is greater than in rural areas?—But we have tackled them only recently.

1126. What about your predecessors in office?—The movement in the urban areas was started only recently during the last two or three years.

1127. You yourself have told us that there is a large amount of money in the hands of the Central Bank which has not been utilised in financing the societies in Delhi?—Yes.

1128. Bearing in mind these urban conditions, if co-operative movement could be extended in the urban areas there is no justification for financing the outside societies?—There is one point. We must have leaders in the Delhi city to start co-operative societies.

1129. But there is no justification for utilising the Delhi money to help Gurgaon?—No.

1130. Or for investing so much in Government securities?—There is justification for that. We must have fluid resources.

1131. But only the minimum of liquid resources which is necessary for your safety?—As well as for the investment of reserve fund according to the bye-laws of the co-operative societies.

1132. But the law of the co-operative societies insists on the investment of only a certain amount in fluid resources?—The matter is left to the discretion of the Registrar, who says that so much amount should be invested in Government securities including so much on account of the reserve fund.

1133. If there were need for financing the movement here in Delhi, there would be no justification for locking up in Government securities more than was necessary for fluid resources?—Yes, you are correct.

1134. It has been sometimes suggested that it is very difficult for the co-operative movement to make headway in notoriously precarious tracts. This suggestion has been put forward by a leading co-operator in another Province. Do you find any justification for that suggestion so far as the precarious area in Delhi is concerned?—There is no such precarious area in the Delhi Province.

1135. Do you mean to say that there is no *barani* tract; is not it a precarious tract?—There is *barani* area, but it is not a precarious tract. Part of it is open to the vicissitudes of season depending on the rainfall.

1136. Don't you find special difficulties in that particular area in some seasons?—Certainly.

1137. Can I have the figures of overdues of co-operative societies tabulated separately for this part which you say is exposed to vicissitudes of the season and the other part which is more or less secure? I want to compare the overdues in this tract with those of the other area?—Very well.

1138. Considering the area which you tell us has often scarcity years, is there any room for starting co-operative famine insurance societies there?—It is too high an idea.

1139. It has also been suggested that co-operative societies should take only members who are free from previous debt?—I don't think so.

1140. Don't you think that during the period in which the previous debt of the co-operative society is being paid off, a member of a co-operative society should not be allowed to raise any new encumbrance on his property?—It is very desirable, but people generally don't do it, though we insist on it.

1141. Have you got any societies in which the *banias* have been admitted as members?—There are *banias* as members, but they are shopkeepers; they don't do money-lending.

1142. If they do money-lending, you don't admit them?—We don't admit them because they will obtain loans from the society and then advance to the people.

1143. You may not give them loans, but can have deposits from them?—There is no objection in that case.

1144. *L. Bal Kishen*: The rules only stop them from coming on the committee.

1145. *Prof. Chablani*: As a matter of fact have you got *banias* as members of the co-operative societies who don't borrow money?—Certainly.

1146. If they are on the managing committee, they will help the managing committee to exercise efficient control in the granting of loans?—Generally they don't do so. What they do is that they become members just to prevail upon the managing committee to recover their own dues which is otherwise a doubtful item in the case of some of the debtors.

1147. Supposing the money-lender puts his deposit in the primary society and that money is lent to the members; that in effect would mean that it becomes the society's loan to the members which is more easily realisable than the debt of the *bania* and he will have the surety of the society itself. On account of this additional security the *bania* may be induced to keep his deposit in the primary society on which he gets 7 or 8 per cent. as interest?—That is possible.

Messrs. Bir Singh and Pitambar Singh.

1148. In such a case if you could enlist the sympathy of the *bania* and assure him that his money, if deposited in the society, is far more safe because there will be a certain amount of mutual control, would there be any objection to making him a member of the managing committee?—Under the rules he is not allowed.

1149. We are talking of the changing of the rules?

1149. *L. Bal Kishen*: Prof. Chablani, I don't follow your question.

1150. *Prof. Chablani*: A suggestion has been made by a leading co-operator in the United Provinces that the money-lender should be made a member of the co-operative society and should be given the power to control the granting of loans.

1151. *L. Bal Kishen*: As an ordinary member of the managing committee he will have only one vote.

1152. *Prof. Chablani*: That does not matter. The suggestion is that the money-lender with the assurance that his money in the society is far more safe than if lent out to individual members with a little enhancement in the rate of interest on his deposits and with the membership of the managing committee thrown open to him will prove very useful in controlling the granting of loans to heavily indebted persons.

1153. *L. Bal Kishen*: You will have to amend the constitution of the society also in order to make him a member of the managing committee. As a matter of fact this is the policy of our Registrar that the banking community should be more represented on the Board of Directors of the Central Bank, because they have far more knowledge of the situation.

1154. *Prof. Chablani*: Is the deposit of a *sahukar*, who is not a member of a co-operative society under the bye-laws, considered as debt due by the society?—Yes; the deposit of an outsider is a debt.

Supposing he becomes a member; does it technically give him the same security as an outside creditor has, *viz.*, joint unlimited liability?—If he is a member of the society, it is of course society's liability to the member.

1155. *L. Bal Kishen*: Prof. Chablani, so far as outsiders are concerned, there is a joint unlimited liability.

1156. *Prof. Chablani*: Will the same liability remain if the depositor becomes a member?

L. Bal Kishen: If I am a member, so far as depositors are concerned, my deposit is liable to attachment in case of unlimited liability; but if the debts due to non-member depositors are cleared off, I shall have the first claim on the assets of the society.

1157. *Prof. Chablani*: So that his position as a creditor becomes worse if he becomes a member. One other general question regarding general policy. Do you find in a number of cases that the individual member of a co-operative society is increasing outside borrowings while continuing to be a member of the society?—In urban societies I do not find that, but there are cases in rural societies.

1158. In order to put a stop to that will you be in favour of limiting membership to persons who are not allowed to deal with the outside public?—How is it practicable.

1159. You have got, for instance, in some places Encumbered Estates Act. Once the estate is declared encumbered and passes into the hands of Government no man can lend money without the risk of losing it completely?—Yes.

1160. In the same way it is suggested that his dealings should be confined to only the co-operative societies?—If that is possible, it is all the better for co-operative societies.

1161. Would it also not be better for the co-operative societies to limit the membership to members who are really in a position to save something in order to pay off their heavy debts?—It is very desirable.

1162. I mean when members are admitted an inquiry should be made into their economic position and that the co-operative society should admit only such persons whose normal income exceeds their normal expenditure, and who, if they made over a part of their surplus income to the society, will be able to pay off their previous debts?—Yes.

1163. Do you think the co-operative society should take over the entire previous debt of such a man?—It is not desirable. It has been found impracticable in cases where an attempt was made by the society to pay off his previous debts, because there is no guarantee that that man will remain faithful to the society alone.

1164. If there were a guarantee, in the form of a law that his debts incurred by him from others after joining the co-operative societies will not be recognised by the law-courts, his dealings will be confined to the society alone, and he will have to stick to the society till his previous debts were paid off?—Our personal experience is that it has not proved useful.

1165. But you could never have tried such an experiment because there is no such law at present?—We have tried a few cases where though they expressed their desire to do so they never remained faithful.

1166. Supposing a law is made that his loans from outsiders after a certain date will not be recognised by law courts will you be in favour of the co-operative society paying off his previous debt?—This experiment has not been tried.

1167. Are you in favour of such an experiment?—It all depends upon individual examples. Supposing the debts borrowed from outside are so heavy that his income is not sufficient to liquidate the debt . . .

1168. But I have already explained that the society should take only such persons whose normal income exceeds their normal expenditure?—Then it is desirable

1169. *Kanwar Moti Lal*: What is the difference between a money-lender and an indigenous banker?—We did not make any distinction between the two.

1170. Can you define the two?—I cannot

1171. In answer to Question 64 you say "There is a general prejudice against the indigenous banker in the province, because his dealings with the clients are not on sound lines". Do you mean the indigenous banker of the city or the village money-lender?—I did not make any distinction between the two words. In whatever I have said about the indigenous banker or the money-lender, I meant only the village money-lender and nobody else.

1172. In your memorandum you say that loans advanced for six months are often paid before the expiry of six months. Can you give any instance?—I will send you instances.

1173. What is the percentage of the agriculturists and the village money-lenders who bring produce to the market?—I cannot say.

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1174. Then how did you express the view that the produce is taken by the money-lenders from the agriculturists and the former take the produce to the *mandis*?—Generally the agriculturists deliver their produce to the village money-lenders who sell the produce in the *mandis*. I found in the Hauz Rani village, where I (Bir Singh) went for purposes of intensive survey that only two or three agriculturists took their produce to the market; the others delivered their produce to the village money-lenders who took it to the marketing centre.

1175. My question is what percentage of agriculturists and money-lenders bring produce to the Delhi marketing centre?—We cannot give definite figures.

1176. In case of non-recovery of the debt what steps does the society take?—The department prepares the case and forwards it to the arbitrator who gives his award which is executed through the civil courts.

1177. If the money cannot be realised, do you sell his land?—No, but we recover it from the sureties.

1178. How long have you been Inspector here?—For the last three years.

1179. The co-operative society makes recoveries at the harvest time?—Generally recoveries are made at the harvest time.

1180. *Mr. V. F. Gray*: In answer to Question 2 you say that “the primary societies obtain loans from the Central Bank at 9 per cent. and distribute them among their members at 12½ per cent. on personal security. Simple interest is charged half-yearly”. What do you mean by simple interest?—There is no compound interest.

1181. No interest is charged on the interest if it is not paid half-yearly?—We charge interest only on the capital. The unpaid interest will remain as arrear without any interest.

1182. In answer to Question 12 (b) you say “there may be only few cases in which a money-lender is ever known to have advanced any money for capital and permanent improvements”. Is it that he would not lend or was never asked to lend?—The money-lender would refuse to advance money for capital and permanent improvements.

1183. Your reply is indefinite. Would he not advance for improvements?—He wants the return of his money as early as possible, so that it may be coming and going.

1184. He would, you think, advance money for crop purposes, but not for the sinking of wells, etc.?—No.

1185. In answer to Question 29 you say “The Land Alienation Act is the only legal impediment known to interfere with the mortgaging of agricultural holding; but it has no adverse effect on the agriculturist’s capacity to raise capital for long period”. Does not it take away a good deal of his security?—We have not met with many cases in which loans were advanced on the security of land.

1186. Is not that because of the Land Alienation Act; surely because no security is attached to the land now that they cannot offer it to raise long term loans?—Our point was that there is no arrangement for long term credit.

1187. Is there any security to offer for long term credit?—In the village of Shahdara, for instance, where this Act does not apply, we find that it has not affected at all.

1188. You consider then that the Land Alienation Act does not take away the security?—For long term credit it has not affected.

1189. It is very strange. You say "money should be lent on interest at least 1 per cent. higher than the rate of borrowing". Surely nobody can work his business at 1 per cent. difference?—We referred to the mortgage banks.

1190. Can you borrow money at 5 per cent. and lend it at 6 per cent.?—It is generally borrowed at 6 per cent. and lent at 8 per cent.

1191. That is better, but here you have said "at a difference of 1 per cent." ?—Yes.

1192. In answer to Question 64 you object to the dealings of the indigenous banker. Are you referring to the indigenous banker or to the village money-lender?—To the village money-lender.

1193. But that question clearly relates to the indigenous banker?—We have not made any difference between the two. Wherever this word occurs in our memorandum, it may be meant to relate to the village money-lender and not to the indigenous banker.

1194. Are not the Post Office Cash Certificates popular among the rural classes?—No.

1195. Would they be more popular if they were in the form of gold certificates, so that if anybody gives Rs. 8 worth of gold, he may get say Rs. 10 worth of gold after 5 years?—We cannot say.

1196. *L. Bal Kishen*: Your experience is, that by co-operative efforts you could reduce the expenses on social functions?—We have succeeded in doing so.

1197. And thus helped in reducing the agriculturists' indebtedness to some extent?—Yes.

1198. What percentage of the adult male population of the Delhi Province has been touched by co-operation in rural areas?—About 10 per cent.

1199. You take only adult members. If you have got 10,000 adult members, you think that about 50,000 souls you have touched?—Yes.

1200. That means that during the last ten years you have touched about 1/4th of the whole rural population?—Yes.

1201. Your experience shows that debt is very high in rural areas. What are the causes?—Bad system of credit and then large expenses on marriages.

1202. Then what you require is not more credit, but more banking?—Yes.

1203. That will improve their economic conditions and will provide facilities also for productive loans?—Certainly.

1204. *Prof. Chabiani*: What do you mean by banking? You are probably asking for restriction of credit.

1205. *L. Bal Kishen*: I mean facility of banking by which they can bank their savings and can draw on their savings also. (*To witness*). That sort of institution is very desirable in the villages?—Yes.

1206. Have you any reasons why a *bania* or a local money-lender would not give credit for long term improvements; has he not got the funds or the desire to advance?—It is a common practice amongst them that they don't advance for long terms.

Messrs. Bir Singh and Pitambar Singh.

1207. Why does this practice exist?—I have not studied this point.
1208. Generally your policy now is that one society represents one village and people like it?—Yes, certainly.
1209. Different communities and different persons can join the same society?—Yes; they like it.
1210. By which class is Mahroli *ilaga* mostly populated?—It is populated by Gujjars, Mayo and Jats.
1211. This is the only *ilaga* in which you have got Mohammadans?—Yes.
1212. You have said that under the *rahti* system instalments are paid back monthly. How do they pay when the income of the *zamindars* comes only once in six months?—In this part (Mahroli) they do other business also, *e.g.*, carting, and so they have got other means of payment.
1213. It looks rather strange that for seed and other expenses the money-lender charges a high rate of interest. This is a productive loan and he can be sure of its payment at the crop time. Why should he charge a high rate of interest on such loan?—That is due to the urgent needs of the people. They require the money urgently at the time and so the money-lender takes advantage of it and charges high rate of interest.
1215. What I gather from your note is that the credit conditions on the Mahroli side are very bad. They cannot get any loan without pawning ornaments?—Yes, it is so.
1216. In answer to Question 14 you say that the loans advanced by the Government in the form of *takavi* can be distributed through co-operative societies to a greater advantage and convenience of the agriculturists. Have you thought out of any scheme? Our object is that this system should be simplified and in each District a Co-operative Department officer of the status of an Inspector should be appointed under the charge of the Registrar?—I think it will facilitate the process.
1217. What you mean is that applications for grant of *takavi* should be dealt with by the officer of the Co-operative Department?—That officer will be in charge of the whole population.
1218. The keeping of *takavi* accounts would not have anything to do with the society. That will be given to the agriculturists direct and what you want is that to change the agency of giving loans from the revenue to the Co-operative Department?—Yes.
1219. *Prof. Chabiani*: Even for non-members?—Certainly, for all.
1220. *L. Bal Kishen*: In reply to Question 15 you have suggested lots of co-operative activities for rural population. These are more technical branches of co-operation than mere credit and the question of their extension will have to be put aside till the members are thoroughly educated?—Yes.
1221. In answer to Question 33 you say "Loans from central institutions should be taken for long periods repayable in half-yearly instalments at recovery season". Of course the Central Bank cannot lock up most of its capital for long term loans when it takes deposits on short terms?—If they get deposits on long terms then, they should advance loans for long periods.

(The witnesses withdrew.)

**Mr. NARAIN SINGH, Honorary Secretary, the Delhi Province
Central Co-operative Bank, Limited, Delhi.**

Replies to the Questionnaire.

A.—AGRICULTURAL INDEBTEDNESS.

1222. 1. For a rough estimate of indebtedness of agriculturists and rural classes, Delhi Province (rural area) can be divided into 4 areas:—

(a) Mahrauli side known as the hilly tract. Indebtedness from 75 to 85 per cent. Those who are free from indebtedness are Military pensioners owning small holdings.

(b) Dabar or Najafgarh side, indebtedness about 75 per cent.

(c) Nangloi and Narela side or *nahri ilaqa*, indebtedness about 50 to 60 per cent.

(d) Khadar or villages on both sides of the river Jumna. Cis-Jamna side more indebted than the trans-Jamna area, indebtedness ranging from 70 to 85 per cent.

1223. The proper manner in which a correct estimate can be obtained is not by official or public enquiry but by private or confidential investigation, for the debtor and the creditor both feel shy in making their dealings public, the former for fear of losing his reputation and the latter for fear of losing a customer.

(a) Mortgages of land, though in quite a large number do not quite show even half the indebtedness of the classes. Their percentage is about 20 per cent.

(b) Various creditors of non-agricultural classes have devised means to circumvent the provisions of the Punjab Alienation of Land Act, by having recourse to *benami* transactions. Their percentage is about 5 per cent.

(c) (1) More than one-third of the debt is incurred against village houses, ornaments and crops. Their percentage is about 15 per cent.

(2) Unsecured debts. Their percentage is 60 per cent.

(a) In very few cases, unless it was to redeem an earlier mortgage.

(b) Very frequently and lavishly.

(c) Frequently.

(d) In certain cases.

(e) Not to our knowledge.

(f) For seed, very often; for manure, never.

(g) Never.

(h) Sometimes.

(i) Sometimes.

(j) Very often.

(k) Very often specially for bullocks.

(l) Never.

(m) Sometimes.

(n) Never.

1224. Big owners are seldom free from indebtedness. As the proverb says "The bigger the land-lord the bigger is the indebtedness". In fact there are very big few land-lords in the *ilaga*.

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1225. *Panchayats* may usefully be organised for propaganda work. Limit should be fixed to expenditure on marriages or other festive occasions. Social boycott of persons spending unnecessarily has been found effective to restrain unnecessary waste.

1226. Creditors are mostly professional money-lenders, sometimes indigenous bankers, *zamindars* and co-operative societies. Debts do not represent a small percentage of the total indebtedness.

1227. 2. Professional money-lenders charge 1 to 4 per cent. In emergency cases their charges range from 50 to 100 per cent. Interest is added to principal usually after a year, and sometimes after six months.

1228. Method used for forcing repayment of debt is by attachment and sale of the movable property of the debtor or by arrest of the persons of the judgment-debtor or mortgage of the immovable property.

1229. 3. Credit is not half so facile as it would have been had there been no Alienation of Land Act. But in that case the danger to the ordinary agriculturist would have been much greater.

1230. 4. Replacement mentioned is rather rare in Delhi Province.

1231. 5. Yes, but the number of such persons is not very large.

1232. 6. If this replacement is allowed to go unchecked the actual cultivator is likely to lose the incentive for intensive cultivation. The Punjab Alienation of Land Act has checked it to a very great extent. Further legislative safeguards in this direction will not be of much use.

1233. 7. It is not customary, but sometimes priestly classes or menials of the village are required to do some sort of personal service or labour in lieu of interest on loans.

1234. 8. Methods and effects of advances in cash or kind by professional money-lenders and transborder money-lenders are to a very great extent demoralising. Very often the amount realised is double the amount of loan advanced. Sometimes even brute force is resorted to by transborder money-lenders. *Rakhi* system has ruined many a small agriculturist.

1235. 9. The Act mentioned is not being availed of.

1236. 10. Regulations of Accounts Bill pending before the Punjab Legislative Council is likely to improve the fairness of money transaction.

1237. 11. There are no arbitration boards or village *panchayats* in this Province. Attention of the Local Government has several times been drawn to the extension of the Village Panchayat Act to Delhi Province by non-official organisation but to no avail. Need of such extension is imperative.

B.—FINANCE FOR AGRICULTURAL PRODUCTION.

1238. 12. (a) A small cultivator usually obtains finance for expenses during cultivation from the money-lender who is usually a professional one. Big land-lords provide for it themselves.

(b) For capital and permanent improvements, both big and small land-holders obtain finance from the *takavi* system of the Government. Very few effect such improvements out of their own savings.

(c) Professional money-lenders provide again for their special needs.

Rates of interest are usually 1 per cent. to 4 per cent. for both (a) and (b). It is for (c) that an exorbitant rate is extorted. Rate of interest charged for cash advances is slightly higher than for loan in kind.

1239. Government only advance *takavi*. In case of other needs they are financed by professional money-lenders and dealers. Other financial agencies mentioned do not play any part in financing the agriculturists in this province.

1240. 13. Cultivators do not freely borrow *takavi*, reason therefor being the unsympathetic attitude of the Revenue Officials. It is very seldom that the full amount needed is recommended or sanctioned and it is rarer still that the full amount sanctioned actually goes to the pocket of the borrower. If such cases are dealt with by the Collector himself instead of being left to the discretion of the Tehsildar or *Kanungo*, the *takavi* system can be much improved.

Secondly, if the grant of such loans is made on the recommendations and through Central Co-operative Banks, much greater benefits will accrue to the borrower under this act.

1241. 14. There is no co-ordination among the various credit agencies financing agriculture in the *ilaga* nor is there any likelihood of there being any improvement in this direction unless Government chooses to co-ordinate with Central Banks.

1242. 15. No proper system exists for financing agricultural production in this Province. If supply and sale societies are started, the cultivators will be able to borrow money on the produce and dispose it off at better rates. They can also buy seeds, etc., from these societies at a reasonable cost.

1243. 16. Rs. 20,00,000 for Delhi Province. Rs. 5,50,000 has been invested by the bank in making advances to societies which is about 25 per cent. of the total money required.

At present it is sufficient. Capital can be increased when required.

1244. 17. Marketing Centres are:—

Delhi City.
Najafgarh.
Shahadra.
Narela.
Mehrauli.

1245. 18. At present the produce is brought by the cultivators to the marketing centres, and they sell it and go back with the sale proceeds. Banks and bankers do not play any part, in the marketing of the produce. They sell it through merchants and *artias*. The cultivators pay 0-0-6 in a rupee as commission to the *arhati*, they also have to pay other incidental charges such as *dharmada*, *gaushala* and wages to labourers, etc.

1246. 19. (a) In rooms and pits.

(b) He does not store there. He sells it and realises its proceeds.

In a few instances, he borrows from *sahukars* on the security of produce stored.

1247. 20. There is a great chance of success of licensed warehouses in India as in the United States of America. Yes, Government help is necessary for financing such institutions.

1248. 21. The cultivators may be able to raise money on the produce at the least possible rate of interest. At present no facilities exist.

1249. 22. None so far as this rural area of Delhi Province is concerned.

1250. 23. There is an enormous scope for forming pools and attention of the Co-operative Department is specially invited in this direction.

1251. 24. No such bills are in use.

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D.—LONG PERIOD LOANS FOR AGRICULTURE.

1252. **25.** There is a crying demand for long term credit in the whole of the Province. Capital and permanent improvements in land cannot be effected without facilities for long term credit. Improved agricultural implements and methods cannot be availed of and sinking of wells and other agricultural improvements cannot be effected without long term loans or credit.

1253. **26.** There is a paucity of money in the *ilaqa* and most of the mortgage money is multiplication of interest rather than an advance for long term credit.

1254. **27.** The agriculturists do not freely borrow *takavi*, reasons therefor being the same as given in answer to question No. 13.

1255. **28.** The average value of land per acre varies from Rs. 50 to Rs. 1,000. Under normal conditions the ratio of net annual yield of land of average quality per acre to its market value is 1 to 100. There are various economic facts governing such value.

Chief of them are as under:—

- (1) Paucity of money.
- (2) Fall in prices.
- (3) Gradual decrease in the yield.
- (4) The general principle of demand and supply.

So far as (a) and (b) are concerned there is no such instance in this Province, where land has been put to auction on account of non-payment of land revenue or by a court decree (except a few trans-Jumna villages) that are exempted from the operation of Alienation of Land Act. Above figures indicate value in private negotiations.

1256. **29.** Provisions of the Punjab Alienation of Land Act serve as a hindrance to mortgage of agricultural holdings. Their effect on agriculturists' capacity to borrow capital for long period is adverse. But it is highly undesirable that the existing law should be modified because in that case the borrower will not only lose the improvements but the holdings also.

1257. **31.** There are no mortgage banks in this Province nor any other bank for providing long term credit.

1258. **32.** (a) The model bye-laws for land mortgage banks framed by the Registrar. Co-operative Societies, Punjab, may be adopted with slight changes suitable to the locality.

1259. The mortgage bank can finance for sinking of wells and agricultural improvements. It can find sufficient business if it can do mortgage work in urban areas. It can also take up house building work.

(b) Amount of authorised capital should be Rs. 2,00,000 and value of each share be Rs. 100 out of which Rs. 50 should be called.

(c) Yes, certainly.

(d) From 3 to 10 years. The margin should be 50 per cent.

(e) By all these three ways.

(f) Government guarantee for the principal will do.

(g) Yes, certainly.

(h) Yes.

1260. **33.** The bank should raise money by paying interest from 6 to 7 per cent. and it should lend out money at 9 per cent.

1261. **35.** Proper supervision and working on sound lines will avoid unnecessary losses.

E.—INDUSTRIES SUBSIDIARY TO AGRICULTURE.

1262. 38. Dairy farming, garden produce, poultry farming and hand-spinning can be started and successfully conducted on co-operative lines. These are suffering on account of initiative and lack of enterprise and funds. The Co-operative Department should pay special attention to such societies.

1263. 39. By starting supply and sale societies.

1264. 40. Market can be opened to an appreciable extent. Co-operative societies should be started and debentures issued bearing Government guarantee for financing such societies. Rose and other flower cultivation and sale; hand-spinning, rearing silk caterpillars, silviculture can be resorted to usefully by the farmer during his slack months. Separate credit societies similar to the present one may be started. There is hardly any need for a separate financial machinery.

F.—RURAL CO-OPERATION.

1265. 41. They are only money-lending institutions. Banking business is done in very few urban societies.

1266. 42. The Co-operative Bank bears no relation with joint stock banks. They keep their current accounts with the Imperial Bank of India and raise loans from it when necessary.

1267. 43. On account of want of education they do not understand correctly the co-operative principle and act on it. Co-operative education by continuous series of lectures should be given and propaganda be carried continually in villages to impress on them the benefits of co-operation. Adult education is highly needed.

1268. 44. No difficulties are experienced by the Co-operative Bank as regards capital. The co-operative movement has succeeded in meeting the needs of the agriculturists to the extent of 10 to 15 per cent.

1269. 45. In our Province Rs. 20,00,000, more will be required when the movement is fully developed.

1270. 46. No competition exists.

1271. 47. Exemption from income-tax on Government securities will prove useful.

G.—NON-AGRICULTURAL CREDIT AND INDEBTEDNESS.

1272. 48. The rates of interest are usually from 1 to 4 per cent. even against the security of ornaments. The lowest strata of the society is the most indebted. It is a prey to the transborder money-lenders. Hardly any banking facilities exist for them at present. There is special need of organising credit societies amongst classes, such as *rangars*, etc.

1273. 49. Cane industry (chairs, etc.), making suit-cases amongst the *rangars*, making tin toys amongst the lower classes and rope-making, calico-printing, etc., exist in the city, but they require organisation and finance. They can usefully be developed by organising credit societies among such classes.

1274. 50. The co-operative movement has not met the needs to an appreciable extent. A useful start can be made in this direction.

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1275. 51. House mortgage banks, house building societies, should be opened.

1276. 53. It is true to the letter that the producer in India does not get the full value of his produce. Sale societies are urgently needed in a city like Delhi. Attention of the Co-operative Department has been invited but to no purpose.

1277. 55. The communities are *baniyas* and *bohras*.

I.—INDIGENOUS BANKERS AND MONEY-LENDERS.

1278. 56. The village money-lenders do also sale and purchase business. Mainly they live on money-lending.

1279. 57. The village money-lenders finance agriculture to an appreciable extent. They do not invest in shares or keep deposits in banks.

1280. 63. From 1 to 4 per cent. usually; in abnormal times even 50 to 100 per cent. The reduction of rates will confer great benefit on the agricultural community.

1281. 64. Prejudice against the indigenous banker is very great, because their dealings with clients are not fair. In many cases they are tainted with fraud and forgery. Legislation like the Regulation of Accounts Bill can improve the existing state of affairs.

1282. 65. Their gain is at least 25 per cent., *i.e.*, the money-lender doubles his capital in about 3 years' time. So far as rural area is concerned very few have failed, but their business is on the decline, the reason being want of fairness in dealings.

1283. 66. They are unable to meet all demands mostly owing to the insufficiency of their working capital.

1284. 67. None.

1285. 68. Negotiable instruments are not in use in the rural area.

1286. 69. No, there is not enough money.

J.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

1287. 79. Hardly 5 per cent. to 10 per cent. of the population can save anything, but the amount is not very large.

1288. 80. Practically there are no savings. People can hardly keep the wolf from the door.

1289. 81. Habit of villagers to purchase silver or gold for ornaments is almost prehistoric, but this can not be regarded as an investment on account of the wear and tear to which ornaments are subject and secondly unwillingness of the owners to sell them even when they can fetch high prices in the market.

Pecuniary conditions of the agriculturists are simply deplorable, the tendency towards hoarding does not exist.

1290. 82. Generally, the money that came into the hands of an agriculturist by sale of produce or through any other source goes straight to the coffers of the village money-lender; co-operative societies have little succeeded in diverting the course of money.

1291. 83. Very few of the farmers can afford to lend to fellow agriculturists. Terms in such cases are very fair. In prosperous years their money is wasted in building *pucca* houses or marrying children. In many cases efforts are made to repay old debts.

1292. **84.** Abolition of stamp duty on cheques has to a certain extent increased the cheque habit but the increase is not appreciable.

Big merchants, commercial houses, mills and factories; *wakils* and doctors, banking firms and banks use cheques. Yes, Government employees drawing above Rs. 100 should be paid by cheques.

1293. **85.** Yes, it is very slow, on account of backwardness in education. Thrift societies on co-operative lines should be started in every sphere of life; extensive propaganda should be carried to educate people.

1294. **86.** Postal Cash Certificates are not very popular. They require revision. They can be made more popular by granting certain concessions to members of credit societies. Post Office Savings Banks in the *ilaga* do not afford all possible facilities to the public. Village teachers or village *patwaris* sometimes deposit a little.

1295. **90.** At present hardly any special facility exists for the purchase of Government securities for small agriculturists. Such investments can be popularised amongst agriculturists by slight preferential treatment in terms.

1296. **92.** By propaganda work on a large scale and adult education chiefly on co-operative lines.

1297. **94.** Village money-lender and co-operative banking. They are not adequate.

1298. **95.** Post Office Savings Banks ought to be opened in every Post Office in rural area. A big land-mortgage bank with a working capital from Rs. 30,00,000 to Rs. 40,00,000 is the prime necessity of the Province, and the Local Government's special attention is invited towards this fact.

Oral Evidence.

1299. *Chairman:* You succeeded Mr. Aminuddin Malik as Secretary?—Yes.

1300. Since last year?—About 14 or 15 months back.

1301. In answer to question 6 you say: "If this replacement is allowed to go unchecked, the actual cultivator is likely to lose the incentive for intensive cultivation". Is this replacement going on on a large scale?—It is, rather, but not very much.

1302. Then it is not a very serious problem?—Not at all.

1303. In answer to Question No. 8 you say "sometimes even brute force is resorted to by transborder money-lenders". You mean the *Pathans*?—Exactly. They are small investors and use force even in villages.

1304. Do *panchayats* exist in Delhi Province?—Not at all. As Secretary of the Zamindars' League I have several times invited the attention of the Government to that fact.

1305. Is there a *zamindars'* league here?—Yes.

1306. You are a *zamindar*?—Yes.

1307. *L. Bal Kishen:* He is *jat* by caste.

1308. *Witness:* This system is being tried in the Rohtak District, but at present the Delhi Government has not considered the question.

1309. *Chairman:* What do you think about the Land Alienation Act?—Certainly it ought to remain.

1310. In reply to Question 25 you say "there is a crying demand for long term credit in the whole of the Province". What remedy do you propose, mortgage banks?—Yes. On Monday last at a meeting

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of the managing committee the members themselves said that a mortgage bank should be started as early as possible; and on the occasion of the last general meeting the question was raised that Government ought to take steps to start land mortgage banks. So far as Khadar *ilaga*, and Najafgarh side are concerned, the credit system is not so bad and people have begun to learn something in that direction, and they borrow and lend punctually to some extent as compared to the Mahrauli side, and I think a mortgage bank can safely be started to the advantage of these people.

1311. In answer to Question 16 you say "Rs. 20,00,000 for Delhi Province". On what do you base this calculation?—This calculation, I am afraid, is a bit incorrect. It ought to be about double that amount. Half of our money is invested in societies belonging to Gurgaon or a little less than half. We have invested in Delhi a little over 5 lakhs and a little over 4 lakhs in Gurgaon. So if we confine our efforts only to Delhi Province, we may require 20 or 30 lakhs.

1312. *L. Shri Ram*: The whole object of the co-operative movement or any other movement is to help the poor man to get over his difficulties in the matter of his debts?—Exactly.

1313. Do you attribute all his difficulties to the high rate of interest charged by the money-lenders, because you say in one place that he cannot get out of his power?—There are several other reasons, this is one of them.

1314. This co-operative movement has been going on more or less for 25 years and it has not yet touched the main difficulty?—It is a hard fact.

1315. You suggest a number of remedies, such as the reduction in the rates of interest of Post Office Savings Banks, loans by land mortgage banks, appointment of Registrars and all sorts of things. All that means money to be spent by the Government over and above the ordinary expenses?—Yes.

1316. Do you know that 95 per cent. of the population is rural, after all the whole of this money will have to be found by the farmers themselves?—Ultimately.

1317. That means that you want to rob Peter to pay Paul?—That is not my point.

1318. After all the farmer has got to pay for all these expenses, and 95 per cent. of the population being rural population, the rich farmer has got to pay, or I may say, the farmer who controls his expenses, has got to pay for the one who does not?—But in another shape.

1319. But you agree with me there?—Yes, he has to pay.

1320. Has he to pay up entirely?—Exactly so.

1321. The whole point is if this money is to be found for co-operative societies for land mortgage purposes, that money has got to pay some interest. Is it not?—That is true.

1322. And do you think it would be possible to get deposits for long as well as short terms below $7\frac{1}{2}$ per cent. on an average?—I think we can get money at about 6 per cent. interest.

1323. Do you know that Government of India, which is considered the best security, has to pay $6\frac{1}{4}$ per cent. interest on its borrowing?—Yes.

1324. But if Government of India finds it difficult to borrow at anything less than 6½ per cent., do you think you will be able to attract money cheaper?—But the difficulties are of Government's own making.

1325. I am not concerned with that. What I say is, as a practical proposition, do you think you will be able to attract deposits at anything less than 7 per cent.?—I think it will be possible.

1326. Do you know as Secretary of the Central Co-operative Bank that the expenses of management, etc., of your bank comes to more than 4 per cent.?—It is less than 1 per cent. on the working capital.

1327. Your predecessor in office has suggested that interest may be charged even up to 15 per cent. or more and he will have no objection to any rate provided the maximum is fixed. Do you agree with him?—I don't agree with him in his statement.

1328. As it is, you charge up to 12 per cent. interest, is it not?—Yes.

1329. The co-operative movement is a new movement and it has not yet even touched the fringe of human society in the propagation of its ideals?—That is so.

1330. You have said that your whole object is to find money at cheap rates for the farmer?—Yes.

1331. And you know there is the existing machinery called money-lenders or *baniyas*?—Yes.

1332. Do you think it would be easier or advisable to pass an enactment somewhat on the lines of the Panjab Act at the same time providing in return some concessions to these money-lenders by providing easier methods of realisation of their debts, such as those the co-operative societies possess, on condition that they will advance money only at reduced rates of interest, say 9 to 12 per cent. I want your unprejudiced answer to this?—The money-lenders in the villages have been given a very fair trial and found wanting.

1333. If by some legislation the money-lender can be tied down to keep his account properly and in a systematic manner without allowing him any loop-hole to rob his borrower and is also compelled to reduce the rate of interest and in return is allowed some special means of realisation, don't you think it would be a sound business proposition?—I don't agree to the suggestion.

1334. What is your objection, sentimental?—It is certainly not sentimental. Even under such altered circumstances those money-lenders will commit, if I may say so, 'daylight robbery'.

1335. Will you please explain your statement?—I believe there will be downright swindling again and absolute unfairness to the debtor in every respect. The difficulty is that these money-lenders are simply having their own ways with the borrowers. So long as the borrower or the debtor is illiterate he cannot expect square dealing at the hands of the money-lender.

1336. You are simply saying swindling and daylight robbery. I want to know in what way swindling and robbery is done. Do you mean to say that when the farmer goes with his bag of money in the fields he will be robbed? (Laughter)—I only mean civilised methods of robbery. For instance, at the time when the first loan is advanced to the debtor by a money-lender what happens is . . .

1337. I am not concerned with what is happening now. I have put a clear proposition to you and am asking you for your opinion as to what will happen if certain things are done as I have already detailed to you?—This is a very hypothetical question.

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1338. Excuse me it is not. It is as clear as anything?—I have no objection to the suggestion if the money-lenders could be brought under law, interest is regulated, accounts are kept properly and if the money-lender adheres to all these conditions then he may be given special facilities of realisation.

1339. You know Mr. Narain Singh, world is not perfect?—Exactly so.

1340. And you think if that machinery could be brought into force as early as possible it would help to keep the wolf out of the door?—I agree.

1341. You say that professional money-lenders charge 1 to 4 per cent., and in emergency cases their charges range from 50 to 100 per cent. Which rate do you object to?—I think between 2 and 3 per cent. is the usual rate.

1342. But are these rates which you mention realised rates or are they rates supposed to be charged?—They are only rates that are charged.

1343. Have you any knowledge how much they actually realise?—A little below 2 per cent. I think.

1344. That is about 18 per cent.?—Somewhere about that.

1345. Have you knowledge of the whole of the Delhi Province or the city alone?—I know the condition in nearly 80 per cent. of villages in this Province.

1346. Can you tell me how many money-lenders exist in these 80 per cent. of the villages that you know of?—They exist in every village.

1347. Give us a percentage with reference to population, if you possibly can?—I think for every village of from 200 to 300 people there is one money-lender.

1348. How much money do these 300 people need to borrow?—That depends upon the class of people who inhabit the village.

1349. Take the average typical farmers?—Their average needs are about Rs. 500 for each family.

1350. Which works up to Rs. 1,50,000 roughly?—Yes.

1351. Out of these requirements how much money does the *bania* advance?—He is not advancing much. There are *zamindar* money-lenders as well.

1352. Have you any grounds for complaint against these *zamindar* money-lenders as well?—Yes, in some cases, but their dealings are certainly better than the *bania*'s.

1353. For how much of their requirements do these 300 people go to the *bania* to-day?—On the whole it may be about Rs. 10,000 to Rs. 20,000.

1354. Now, if the *bania* makes 20 per cent. interest on Rs. 20,000 every year he makes Rs. 4,000, is it not?—Yes.

1355. So, according to you, all these village money-lenders (*bania*) should pay income-tax, is it not?—Many of them do pay income-tax but others somehow or other evade paying it.

1356. My own view of the income-tax officers is quite different from yours. They leave no stone unturned?—That might be your experience because you are the wealthiest man in this city. (Laughter).

1357. Can you give me a rough idea as to how many of these money-lenders pay income-tax?—I can't give you any idea about it.

1358. And according to you these *banias* ought to multiply their wealth in 3 years' time?—Yes.

1359. So then in a man's life-time (33 years) a money-lender would have multiplied his assets 2,000 times or more?—(Laughter)—Of course, I don't go to such an extent as that.

1360. So, evidently you admit there is some mistake in your statement?—Of course, they will have to cover the risk also.

1361. You agree that most of his debts are unsecured ones?—Yes.

1362. So then he will not realise even 18 per cent. as you say on the whole?—Yes, I agree.

1363. My whole point is whether we can organise the present machinery of indigenous money-lenders to suit the requirements of the day because you are against *takavi* and you know the co-operative movement has not improved the condition of the farmer in the villages?—Exactly so, but with proper legal safeguards.

1364. In answer to question 18 you say that the cultivators have to pay 6 pies in the rupee as commission to the *artia* besides other incidental charges. Are you satisfied with this arrangement or have you any grievance against the system?—My own suggestion is that co-operative sale societies should be organised on a large scale in the Delhi Province.

1365. You are not satisfied with the existing arrangement then?—No.

1366. Have you worked out what the cost of a sale society would be?—No.

1367. You have not worked and found out that these sale societies which you want to be established will work on a cheaper basis than the existing agency?—I have not worked out the scheme.

1368. Then in answer to question 20 you suggest that there is a great chance of success for licensed ware-houses in India as in the United States of America?—Yes.

1369. Do you know how the system works in America?—I don't know. You have gone to America and you ought to know the conditions there better.

1370. Later on in answer to question 23 you say that "there is an enormous scope for forming pools and attention of the co-operative department is specially invited in this direction". Don't you think that pooling of the land would be a thing that ought to be taken first before pooling for purposes of sale and purchase are thought of?—Yes, I agree, but that is going on at present.

1371. You know produce differs from farm to farm in quality. What sort of pool in these licensed ware-houses have you in view. Have you any clear idea of what you have in mind when you made this suggestion? If you have no clear ideas about the scheme then I won't waste the time of the Committee in asking you about it?—I have no practical experience of the scheme myself.

1372. In answer to question 29 you say that the Punjab Land Alienation Act is an evil and may I know what the other evil is?—Usury.

1373. Don't you think that one of the evil results of the Land Alienation Act has been that the small farmer sometimes has to sell his land to a big agriculturist at a much lower price than he would otherwise have done?—That is true.

1374. In answer to question 53 you urge the necessity for starting sale societies in Delhi. I presume you have not worked out details of your scheme in this case as well?—No, I have not gone into details.

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1375. Don't you think that a private individual will be able to carry on his business at a much cheaper rate than a co-operative sale society?—I think so.

1376. Don't you think the *artias* who do the work for a small commission are a cheaper agency?—I agree, but it is very difficult to choose the right sort of purchaser.

1377. But don't they take the goods to the *mandis* and sell the goods to the highest bidder?—But still the sale will not be done in the best manner and for the best price possible. Mr. W. ——— who is a very keen agriculturist in the neighbourhood of the city has told me that cart-loads of peas which he sent to the city every morning for sale fetched him only 2 pice per seer while the city hawkers sold them at 12 annas per seer.

1378. Do you believe that statement for a minute?—I believe there is some truth in the statement that the cultivator does not get the maximum price for his produce.

1379. Had you ever been to Sabzimandi yourself?—Yes, I have gone there many times.

1380. And you have seen how headloads of fruits and vegetables are being auctioned as they come in?—Yes.

1381. And how is it you say that Mr. W. ——— is cheated by the *artia*?—I don't say it is cheating, but by a better handling of the produce a better price could be obtained.

1382. Please suggest to the Committee some organisation through which you can realise 12 annas per seer for your peas?—Supposing we had some co-operative sale societies organised and they were running a few vegetable shops, then in that case the producer will get a better price.

1383. Have you any idea what it will cost to open a vegetable shop in Delhi?—I don't know details.

1384. Do you know there are thousands of shops in the city selling vegetables —Yes, there are a good many of them.

1385. Will you dispute the statement made before this Committee by a Professor of Economics of the Hindu College Delhi that these vegetable sellers in the city don't make more than one rupee a day as profit?—I don't dispute his statement. What I mean to say is that the produce passes several hands before it reaches the street hawker. Because it passes through the hands of several intermediaries, naturally every man has to make his profit, before the article reaches the consumer.

1386. Are you speaking from your experience or from hearsay?—I speak from my personal knowledge.

1387. Would you believe me when I say that in cases of cart-loads of any article, the *artia* fixes a price at the scale and anybody can purchase it for that price. The intermediary that you speak of does not come in?—I don't think this is the practice in all cases.

1388. Do you know headloads of vegetables and fruits are auctioned as they come in without recourse to intermediaries?—I know it myself that in several cases the *artia* raises or lowers the price of these articles as and when he pleases just to oblige some of the shop-keepers who may be his friends or relatives or who are in league with him.

1389. What percentage can it be, if at all?—It might be small indeed.

1390. So may I say that you cannot justify your statement made here? —I have given you my own information.

1391. So then, will you just forward to the Committee at an early date your scheme for organising these co-operative sale societies?—Yes, I will.

1392. *Mr. V. F. Gray*: In answer to question 33 you say that the bank should raise money by paying interest from 6 to 7 per cent. and should lend out money at 9 per cent. And you will agree with me that your bank would have become a bankrupt already if you had followed such a principle, is it not so?—There is some error evidently.

1393. You have told us that the expenses of management of your Central Co-operative Bank comes to about 4 per cent.?—They are below 1 per cent. on the working capital.

1393a. And yet you advocate borrowing at 7 per cent. and lending at 9 per cent.?—Yes.

1394. And so you agree to the deletion of that portion of your answer from your memorandum?—We might raise the lending rate to 11 or 12 per cent. at the utmost.

1395. In answer to question 41 you have said that co-operative societies are only money-lending institutions and that banking business is done in very few urban societies. On that point I would like to have your opinion as to whether the great need to-day is for easier means of borrowing money or merely the provision of cheaper money wherever necessary by providing more banking facilities?—Cheaper money than at present is the first need.

1396. Do you want the borrower to get cheaper money? Is not India's trouble due to the fact that she is able to borrow money too easily?—I agree, but I do say it should be too cheap. If these societies could be trained in banking business it would be better.

1397. Do you mean training the public?—Yes.

1398. Are you in favour of allowing more opportunities to the public for borrowing in an easier manner than at present?—Certainly.

1399. Then will not the public become all the more indebted?—I don't think so.

1400. Would it not be better to create small banks where the public might be induced to make their deposits and also be permitted to make their withdrawals without allowing any overdraft?—That is exactly the need of the hour.

1401. But is not the present indebtedness largely due to the fact that money has been too easy to get?—I don't contribute to that view.

1402. The much maligned *bania* would not be so hopelessly bad as he is to-day had he not been lending indiscriminately?—If money had not been available, then I think the difficulties would have all the more increased.

1403. Following up that idea I suppose you approve of the consolidation of the holding?—Yes.

1404. Do you approve of co-operative farming? At present the economic holding of an individual zamindar is, I understand, rarely sufficient for his maintenance?—I agree.

1405. How do you suggest getting over that difficulty?—I think matters could be improved by intensive cultivation.

1406. Don't you think that by co-operative or joint cultivation land will be improved in its productivity?—Yes.

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1407. Supposing a man's land is definitely uneconomic, is there any prejudice among the people in this Province against selling it to a bigger man and becoming a labourer?—There is a great prejudice. People don't part with their lands under any circumstances.

1408. Don't you think it is a better economic proposition to become a labourer and earn about 10 annas a day?—I agree it is, but people in the villages will not get over their mentality.

1409. Can anything be done to improve that state of affairs?—I could think of only education and propaganda.

1410. *Lala Dal Kishen*: Do you know we in the Punjab tried co-operative supply societies, and stores, and they were practically a failure there?—I learnt about it.

1411. You don't know the reason why they failed?—Lack of business training and inefficient management was responsible for the failure of these societies.

1412. And it was not because of any inherent defect in the scheme itself?—No.

1413. And still you know that these societies were not able to pay their way?—I have read that it was one of the reasons that contributed to the failure.

1414. You said that most of the debt which is owed by the farmer is the accumulated interest. Why should the interest get accumulated?—Both the debtor and the creditor are responsible for that.

1415. The interest of the debtor is to see that he pays interest punctually, is it not?—The difficulty arises when the creditor is a *pucca bania* and the debtor a sound *samindar*, because the former is sure of his money and wants to see that his money multiplies and the latter does not feel himself worried when the interest is not demanded.

1416. Don't you also think that it is also due to the fact that firstly the debtor does not want to pay and secondly his income is not such as would enable him to pay?—In most cases he is also unable to pay.

1417. In other words he borrows money too much than his repaying capacity for unproductive purposes, is it not?—Exactly.

1418. Then the real trouble is that the agriculturist gets much more credit than he ought to?—Yes.

1419. But I notice from your memorandum that you say that there is much dearth of capital in the villages and that money is very stringent and not easily available?—Yes.

1420. Then both these statements don't go in together?—The fact is that for every big demand the village money-lender finds it sometimes difficult to have enough funds.

1421. That means that the farmer should be educated to utilise his funds for productive purposes only?—Yes.

1422. So what you say is that though there is enough of capital, he utilises it for financially unproductive purposes?—Yes.

1423. If he utilised his funds only for productive purposes the trouble would not arise?—That is so.

1424. How will you remove this weakness of the borrower to get loans beyond his capacity for unproductive purposes which has been the cause of his ruin?—Education and propaganda.

1425. If the land tax of an extravagant person without education and training is reduced do you think he will benefit himself in any way?—I think he will be benefitted to some extent.

1426. What are your suggestions which may be in his power to effect for helping this pitiable condition of this wretched fellow?—It only depends on education.

1427. You admit that finance and character has much to do with each other? And you agree that if the character of the borrower is improved his finances also will improve?—Without doubt it is so.

1428. What we require at present according to you is the right type of banking rather than indiscriminate extension of credit. Am I right?—Yes.

1429. Later on in your memorandum you say that savings in the villages are very few and you admit that that is all the more reason why you should restrict advancing?—Yes.

1430. Also you believe that the existing high rates of interest is partly due to the insecurity of the debt given?—It may be true to some extent.

1431. What we require is good security, habit of repayment and utilisation of loans for productive purposes only?—Yes.

1432. Under the present circumstances you know the only security of a poor agriculturist is his crop mainly?—Yes.

1433. As recently as 1927 England has passed an Act by which if a farmer has pledged his crop to a creditor and if he disposes it off for repaying the loan of another then he is liable to criminal prosecution and rigorous imprisonment which may extend to three years. The authorities in England have found out that this is a better method of dealing than propaganda alone?—I agree that law can mend matters speedier and easier.

1434. If such a legislation is passed here also do you think there will be good deal of agitation among the agriculturists?—There might be some agitation but the condition will certainly improve.

1435. Supposing this Committee were to recommend to the Government the adoption of such a legislation in India, don't you think the Government will naturally turn round and see how public opinion is ready to receive it?—There will no doubt be trouble in some quarters but in these days even good measures meet with opposition. We have got to be more businesslike.

1436. Do you consider that there is any objection in limiting expenses on marriage and other festivities by legislation?—Certainly, I am in favour of that idea. I have noticed that even now in some of the Native States such a legislation has been introduced, and the transgressors made liable to criminal prosecution.

1437. But in these matters you will naturally educate the public first rather than launch on legislation straight-away?—Yes.

1438. You say in answer to question 2 that the "method used for forcing repayment of debt is by attachment and sale of the movable property of the debtor or by arrest of the person of the judgment debtor or mortgage of the immovable property". The *bania* or the money-lender does not resort to the arrest of the money-lender as he knows it is not to his advantage to do so?—That is only done as a last resort.

1439. In answer to question 12 you have said the rate of interest charged for cash advances is slightly higher than for loans in kind,

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but some witnesses that have appeared before us have told us that the reverse is the case. What is your personal experience?—I speak from personal knowledge. Of course there is no hard and fast practice about this.

1440. Dealing with the *takavi* loans, you say that the Collector himself should deal with these loans. Do you think that a high officer like the Collector of a district would be able to do this himself?—Mr. Pool is himself doing at present here and the system is working very satisfactorily.

1441. Knowing the members of your societies, do you think they are honest in their dealings and that they have understood the principles of co-operation very well?—I have no reason to doubt their honesty, speaking generally.

1442. In answer to question 64 you say that the prejudice against the indigenous banker is very great. If this is a fact don't you think that the co-operative movement should succeed more quickly?—But failure is due to lack of training.

1443. By indigenous banker you mean the village money-lender?—Yes.

1444. *Professor Chabiani*: You have given us two separate memoranda, one in answer to our general questionnaire and the other in answer to the special questionnaire issued to co-operative societies?—Yes.

1445. Mr. Narain Singh, you have told us that the Central Co-operative Bank has at present more money in its hands than it can utilise for the Delhi Province. Ever since the co-operative movement was started it has been so in Delhi, is it not?—Yes.

1446. You said now that against 5 lakhs of investments which you have made in the Delhi Province you have invested nearly 4 lakhs in Gurgaon?—Yes.

1447. In your answer to question 48 of our general questionnaire you have told us that the existing rates of interest even against the security of ornaments vary from 1 to 4 per cent. per mensem. Evidently you are here talking of the urban areas as the rural areas are covered by your answer to question 47?—Yes.

1448. Further on in answer to question 48 you say that "the lowest strata of the society is the most indebted and it is a prey of the transborder money-lenders". So the conditions in the urban area is not better than the rural area so far as the poor classes are concerned?—That is true.

1449. The savings represented by deposits in your societies is largely drawn from the urban areas?—Yes.

1450. Is there any justification then for diverting the funds of the urban area into the rural areas?—It is rather a matter of policy. Artificial barriers for investment are not desirable.

1451. Why should that be the policy of the Central Bank when there is more than enough work in the urban areas itself?—Of course there is need for money in the urban areas as well, but people in the city are in a better position to take care of themselves.

1452. So there is no justification?—Sometimes conditions in the rural areas are worse than urban areas and so it is that funds are diverted.

1453. But why should you invest in Gurgaon? Is there any justification for diverting funds to this place, a place outside the Delhi Province?—There is no justification.

1454. Will you kindly refresh your memory a bit? You have said in answer to question 28 that the "average value of land per acre varies from Rs. 50 to Rs. 1,000 per acre. Under normal conditions the ratio of net annual yield of land of average quality per acre to its market value is 1 to 100"?—I think it is very little to begin with. It ought to be between 2 and 3.

1455. Which means that the average yield from an investment of that kind is only 2 to 3 per cent?—Yes.

1456. Do you mean to say that the land owner gets that 2 to 3 per cent. or the cultivating tenant gets that?—That is what the land owner gets.

1457. Would you be justified if your co-operative bank were to invest its funds in a concern which returned a yield of only 3 per cent.?—The bank would not advance money unless on proper security.

1458. But would not the bank invest its funds in more profitable undertakings than invest in land which yields only 2 to 3 per cent.?—Certainly we will have to think twice before investing in land.

1459. Obviously, may I put it, investing in such land is an uneconomic habit when better investments are available?—Yes.

1460. If the landed classes find that the value of land has gone up is it not in the interests of persons who are indebted to sell off portions of their lands and invest the proceeds in more remunerative undertakings?—Certainly that ought to be done.

1461. The narrower the market for land the less will be the price of land?—That is so.

1462. The Land Alienation Act which prevents a person from clearing off his debt by selling off a portion of his land in an open market is an undoubted evil then?—The difficulty is that if the Act is abolished, the evil would be still greater.

1463. Why? The agriculturist can work as a labourer, invest his balance of capital in Government securities, which is an absolutely safe investment?—So far as voluntary transfer is concerned, it is an evil.

1464. It is not to the interests of a class to be tied down to land where it is an uneconomic investment from the productive point of view?—Yes.

1465. Is saving possible for the majority of people in the rural areas?—Not at all.

1466. Then the little saving that remains in the rural areas ought not to be diverted to the purchase of land at all?—Certainly.

1467. Nor should it be so freely invested in gold and silver?—Very little is invested in gold and silver.

1468. Are you aware that 84 persons are agriculturist money-lenders in different circles of Delhi Province and only 170 non-agriculturist?—I cannot challenge these figures, but I think the estimate is rather high.

1469. Are you aware that only 59 rural money-lenders and bankers in the rural areas of Delhi pay income-tax?—May be, I cannot say.

1470. Are you aware also that since 1920 something like 51 money-lenders have stopped their dealings in villages and transferred their activities to the city?—Yes, many of them are going to the cities.

1471. Which means that the capital instead of being employed in villages is being diverted to the cities?—There are other reasons responsible for that.

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1472. The fact remains that capital which is already scarce in rural areas is being taken away from the rural areas and invested in the cities?—That is not the only inference.

1473. That is the natural effect if money-lenders are going to transfer their investments elsewhere?—If they bring their capital to the city.

1474. Any thing that tends to make the capital of the village more scarce would be an evil?—Of course.

1475. Such diversion of capital from villages is justified only when the rural conditions are such that there is a plethora of capital in the villages?—That is so.

1476. You say that very few people in rural areas can save and capital is built up only by savings?—Yes, money is needed in the rural areas.

1477. Please turn now to your reply to our special questionnaire you say that “the Central Banks grant loans to co-operative societies for short terms only and the period extending to three years is considered as short period”?—It is a misprint, I am afraid; it ought to have been from two to three years.

1478. Are your deposits mostly for three years?—Formerly they were, but now we have brought down the majority of deposits to one or two years.

1479. Well, the bulk of your deposits are not for two or three years. Then why do you consider three years as a short period?—We have now got this term extended to three years simply on account of the prevailing conditions.

1480. Whatever the reasons may be, you are lending short period deposits for long period loans, which is not what banking is ordinarily understood to be?—Quite so.

1481. You say in reply to question 1 that in their meeting the society passes a resolution that the amount of loan will be paid back within one, two or three years. Is this fact communicated to you as an undertaking of the society in their application for loan?—They send us the *kishbandi*.

1482. *Kishbandi* is fixed when the crop prospects are known. I am talking of the loan application; when the loan application is made you are not informed as to what the resolution of the society is as to their intention to repay?—Not always. We are not in direct touch with the societies.

1483. Again you say, “loans are payable on demand”. Are they ever paid on demand?—It has been incorrectly put down. Perhaps you are acquainted with the procedure. The society pass a resolution, that they want so much money in their meeting. Then a copy of the resolution is sent to us and a pro-note is signed in the presence of the members.

1484. The pro-note is payable on demand?—Yes, a pro-note is payable on demand.

1485. Then this demand pro-note is purely fictitious, because you can never recall the money on demand?—Why not.

1486. As you say, the societies fix 2 or 3 year for repayment when they are lending out to members, but borrow from you on pro-notes which purport to be payable on demand. Do they intend to repay you on demand?—But there are no hard and fast rules laying down that we cannot recall the loan earlier.

1487. Have you ever realised it earlier?—We have never done it in practice.

1488. You know very well that the society will not pay you on demand?—It shall have to pay if we insist.

1489. How can they pay when they have invested it for at least a season?—It is only for the sake of their convenience that we don't make the demand.

1490. Whatever the legal position may be, it is not intended to be the real position at all?—Undoubtedly I don't think that could ever be the real position.

1491. And that is the reason why you are unable to say how much money is due in 1929, 1930, 1931, 1932 and so on?—Exactly, under the present bye-laws.

1492. And you cannot be sure as to how much amount is coming back to you when you borrow money on deposits which are for fixed periods?—No. Besides the *kishtbandi*.

1493. But when *kishtbandi* is made every year it is not necessarily in accordance with the terms of the application or original resolution of the primary society?—Exactly.

1494. *L. Bal Kishen*: Prof. Chablani, in the resolution which the societies pass asking for a loan they fix the time for repayment.

1495. *Prof. Chablani*: But the pro-note is on demand and they are not bound to repay even in accordance with the resolution (To witness). In answer to Question 1 (a) you have said that "in their meeting the society passes a resolution that the amount of loan will be paid back within one, two or three years?"

1496. *L. Bal Kishen*: It is a fact that they don't pass a resolution.

1497. *Chairman*: (To witness).—Have you understood the question of the Professor?

1498. *Prof. Chablani*: I will repeat my question. In answer to Question 1 (a) you say that in their meeting the society passes a resolution that the amount of loan will be paid back within one, two or three years. Our question was "what proportions of the loans granted to rural credit societies in the last three years are recoverable in *kists* terminating in the period regarded as short term", and (b) "whether any such distinction is observed or not" and your reply to (b) is "no distinction between long and short term loan is observed. The loans are payable on demand". One is the society's own proceedings; the second is their application for loan to you. When they borrow money from you, it is payable on demand, but in their meeting they pass a resolution as to when the money is to be repaid. Is that the correct position?—Yes; it is so.

1499. You have said that this resolution is not communicated to you and that therefore you have no means of knowing as to how much of the amount due to you will be paid to you in the next year?—No means of knowing that.

1500. And *kishtbandi* is made after the general conditions of the harvest are known. Is it sent to you for approval?—No, it is not sent to us for approval.

1501. Then you have a definite liability or responsibility to your depositors but the responsibility of the society to pay you is not

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definite on account of the fact that the *kishtbandi* can vary according to the conditions and repayments vary from the *kishtbandi*. You are bound to pay to your depositors on due date, while you are not bound to get your money back at the time you have to pay your depositors?—We cannot expect the money on due date.

1502. You don't give any formal approval to the *kishtbandi*?—Our approval is not necessary at all.

1503. You have given us the figures showing actual repayments by the societies against the *kist* demand. This demand is made after the general conditions of the crop are known. As it is, between the *kist* and the recoveries there is a gap. The recoveries fall short by nearly 30 per cent. How do the recoveries compare with the original intention to pay back in one or two years when the society passed a resolution while forwarding the loan application?—We have no means of knowing that.

1504. You say in answer to Question 2 "The Central Banks are not authorised by the Registrar to be in the know of the purpose for which the loan is taken by the society"?—Yes.

1505. So the societies are in no way responsible to you for the utilisation of the loans for the purposes they have borrowed from you?—For what.

1506. Whether the loans are actually applied to the purposes for which the loans were obtained, whether they are being applied for productive or unproductive purposes?—We are quite in the dark about all this.

1507. The essential point from your point of view as the banker who advances loans to societies is to know how far the borrowing society is doing sound and safe business?—It ought to be our duty rather.

1508. You don't share that responsibility at all?—Exactly; that responsibility lies with the field staff only.

1509. But the consequences fall on the Central Bank; you pay the price of any mistake in their calculations or in their management?—In our present position, we can safely say we sit behind closed doors; we receive deposits and are not responsible for repayments, because we have no supervision over the societies; and I have several times suggested that there ought to be a sub-committee of the Central Bank to supervise, and that the approval of the managing committee of the Central Bank should be sought whether a certain society of such and such an *ilaga* should be constituted. But up till now we have not got such a committee.

1510. You are not allowed to make any distinction between A, B, C and D class societies in your terms of lending, e.g., interest rates?—No.

1511. So, then if the society is bad, it does not pay a higher rate of interest than good societies do and there is no penalty for being bad?—No.

1512. Could you give us the total number, from the beginning of the movement, of the liquidated societies?—In 1921 there were 19. I will send you a list showing the number of societies liquidated from the beginning of the movement.

1513. I would ask you to give us the number of rural and urban liquidated societies separately?—Very well, I will find out.

1514. In answer to question 6 you say: "Out of Rs. 9,76,200 advanced to societies Rs. 50,590 are due from non-agricultural societies". You mean non-agricultural societies?—It is obviously a misprint for urban societies.

The examination of the witness was not concluded when the Committee rose for the day. This witness was further examined on the 28th February 1930.



सत्यमेव जयते

Mr. Narain Singh.

Saturday, the 22nd February 1930.
NEW DELHI.

PRESENT :

<p>Khan Bahadur Diwan ABDUL HAMID, C.I.E., O.B.E. (<i>Chairman</i>)</p> <p>PROFESSOR H. L. CHABLANI, M.A.</p> <p>Lala BAL KISHEN.</p> <p>Mr. V. F. GRAY, M.L.C.</p>		<p>Rai Sahib KANWAR MOTI LAL.</p> <p>Lala SHRI RAM (<i>Co-opted Member</i>).</p>
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Mr. V. S. MARBALLI (*Secretary*).

The Secretary and Treasurer, Imperial Bank of India, Calcutta.

Replies to the Questionnaire.

B.—FINANCE FOR AGRICULTURAL PRODUCTION.

1515. 12. The Imperial Bank of India finances the agriculturists by granting them loans, at a moderate rate of interest, (*viz.*, 7 per cent.), on the security of their gold ornaments. This method of financing the agriculturist has only been in operation in the Provinces concerned for a comparatively short time but it is proving exceedingly popular and affords the agriculturist a ready means of meeting the expenses during cultivation and other special needs.

1516. This is the only method at present by which the Imperial Bank of India comes into direct contact with the agriculturist but it assists him indirectly by its loans to co-operative banks, indigenous banker, merchants and dealers.

1517. 18. The Imperial Bank of India and other banks, at places where such banks are established, provide finance for movement of produce chiefly by means of purchasing the demand drafts of dealers representing produce despatched to consuming centres, thus enabling dealers to turn over their capital more quickly than would otherwise be possible, and keeping the market in funds wherewith to pay the agriculturist for his produce. Competition amongst the banks for this business is very keen and such funds as are required can always be obtained at places where the Imperial Bank of India is established at a cost to the dealer of from one to two annas per cent. At places where the Imperial Bank of India is not represented rates run much higher and it is probable that the cost of funds is passed on to the agriculturist.

1518. The Imperial Bank also takes a considerable part in financing the re-marketing of crops by its discounting of usance of bills for indigenous bankers, merchants and dealers and it advances to them by way of clean and produce loans.

19. The Imperial Bank of India and other banks advance freely against produce stored at *mandis* but generally speaking such advances are made to commission agents and dealers. The agriculturist himself does not store produce in the *mandis* and where he stores it in his village he cannot use it as security for obtaining credit from bankers, as individual stocks are usually so small that the cost of supervision

would be too high in proportion to interest earned to make the business a paying proposition and moreover the agriculturist is usually too small a man for banks to have direct dealings with.

1519. 20. Licensed warehouses on the lines of the system which exists in the United States of America would provide negotiable instrument, in the form of a warehouse certificate, which would undoubtedly facilitate the financing of the produce stored in such warehouses.

In my opinion the following fundamental principles would have to be observed in the operation of any such scheme :—

- (1) The warehouseman, or manager appointed by a warehousing company, would have to be of high moral character and be entirely independent of the local parties who would store their produce in the warehouse.
- (2) His fees or salary would have to be fixed on a fairly generous scale.
- (3) Government supervision as provided for in the United States Warehouse Act would be necessary and, in addition, a security deposit, based on the capacity of the warehouse would have to be taken from the warehouseman or warehousing company.
- (4) Produce in respect of which a receipt is issued would have to be kept separate from other deposits, and in such a manner as to be easily identifiable, and the holder of a warehouse receipt would have to be given every reasonable opportunity of inspecting the relative produce.

1520. If the above principles are observed the overhead charges of a warehouse are bound to be high, even if existing godowns are utilised and only by storage on a large scale could the incidence of such charges be reduced to a level comparable with the existing cost of storage. I do not think there is any market in the N. W. F. or Delhi Provinces where the storage of produce is sufficiently large to enable a warehousing company's charges to be reduced to such a level and I am of opinion that this objection would hold at most upcountry markets.

1521. A further objection to such a scheme is that warehouse receipts would most likely be used as a medium for gambling transactions, with the inevitable result that the price of the produce being dealt in would be subject to violent fluctuations. This would render the operations of genuine traders more difficult and would adversely affect the financing of such produce by banks.

G.—NON-AGRICULTURAL CREDIT AND INDEBTEDNESS.

1522. 52. So far as the Imperial Bank of India is concerned it plays little or no part in financing (a) export trade (i) from the village to the *mandi*, but it provides a very large proportion of the finance required for,

(ii) from the *mandi* to the exporting port by purchasing freely drafts and Telegraphic Transfers drawn on port towns by (1) the exporting firms and (2) firms who rail produce to the ports for sale there to exporting firms.

1523. Such business is put through at competitive rates which provides little more than interest at reasonable rate for the period the bank is out of its money and although under our agreement with Government we obtain the facility of free transfer of funds, this benefit is, to a very great extent, passed on to the business community.

The Secretary and Treasurer, Imperial Bank of India.

1524. With regard to the (b) import trade, the Imperial Bank of India takes little part therein as such business is usually financed through from the place of export to the distributing centres upcountry by means of foreign bills, which business the Banks is precluded, by statute, from undertaking, but it provides cheap remittance facilities to the Exchange and other Banks engaged in the trade for the return of their funds to the port towns.

I.—INDIGENOUS BANKER AND MONEY-LENDER.

1525. 57. In the North-West Frontier and Delhi Provinces the indigenous bankers require little, if any, facilities from the Imperial Bank as their own resources are usually sufficient for their requirements. They are in direct competition with the Imperial joint stock and co-operative banks for deposits and, to a certain extent, for advance business.

1526. As a business concern the Imperial Bank is always prepared to consider the grant to indigenous bankers of such facilities as they may require on business lines.

1527. 67. The facilities for remittance between places at which the Imperial Bank is established are sufficient for all requirements and remittances can always be obtained at very low rates.

1528. 68. The present stamp duty on Usance Bills, is, in my opinion, far too high and undoubtedly tends to restrict the drawing of such bills. In the case of 60 days bills it increases the cost of finance by over one half of one per cent. per annum.

1529. 70. The *hundi* rate in the Peshawar bazaar during the busy season, October to March, is 7 to 9 per cent. and during the slack season, April to September 6 to 8 per cent.

1530. The *hundi* rate in the Delhi bazaar varies from 2½ per cent. in the slack season to 6 per cent. in the busy season.

1531. I do not think that the Imperial Bank bill rate has any great effect on these rates as, generally speaking, the bill making is in the hands of the indigenous bankers, who invest their own funds in this form and such bills are rarely offered to the Imperial Bank of India for rediscount.

1532. 72. I would suggest that any indigenous banker accepting deposits to an amount to be fixed by statute should be required to publish a balance sheet periodically, duly certified by a recognised Chartered Accountant. Such an arrangement would tend to inspire confidence in depositors and would be of great assistance to the joint stock and other banks in their dealings with such bankers.

1533. 75. A reduction in, or the total abolition of, stamp duty on Usance Bills would in my opinion have the effect of increasing the supply of such bills.

1534. 76. Generally speaking the indigenous banker invests his funds (consisting of his own capital and deposits) locally but if he finds he can either lend to a greater extent than his resources will permit or has surplus funds for which he is unable to find employment he has recourse to one of the joint stock banks, exchange banks or the Imperial Bank. So far as my experience goes the indigenous banker does not hold very large cash balances. This tendency for money to find its own level already provides a link between the indigenous banking system, the central money market and provincial capitals.

1535. 77. If such banks are to pay their way they must come into direct competition with the indigenous bankers. A branch of the Imperial or

a joint stock bank is already established at all the larger centres and these banks can be relied upon to open a branch at any place where there is a reasonable prospect of making a profit.

J.—INVESTMENT HABIT AND ATTRACTION OF CAPITAL.

1536. **84.** Judging from the increasing turn-over on current accounts the cheque habit is growing but slowly. The abolition of stamp duty on cheques is undoubtedly assisting such growth and a tendency for persons in Government and other services on comparatively small pay who did not previously maintain banking accounts to do so is noticeable, though savings bank accounts have a greater attraction for such persons.

Petty accounts, such as those indicated in paragraph 3 of this question, are, as a rule unremunerative and such as no banker would care to have on his books.

Mr. B. A. C. NEVILLE, Manager, Northern India Branches of the Imperial Bank of India.

(Mr. Neville, was examined on the replies to the Committee's questionnaire submitted by the Secretary and Treasurer Imperial Bank of India, Calcutta, printed above.)

Oral Evidence.

1537. *Chairman:* Mr. Neville, may I know what position you hold in the Imperial Bank of India?—I am the Manager for the Northern India Branches of the Imperial Bank of India.

1538. Including Delhi and the Punjab, is it?—My jurisdiction extends from the west of the United Provinces and includes, Delhi, the whole of the Punjab and the North West Frontier. I might add that any evidence that I may give will be merely an expression of my own personal views and cannot be considered as the opinion of the Imperial Bank of India, because the latter will tender its own evidence before the Indian Central Banking Enquiry Committee.

1539. Does the Imperial Bank of India advance loans to agriculturists on a large scale?—Yes, we do finance on a large scale.

1540. Merely on the security of gold ornaments?—No, we also advance on the security of grain and produce generally.

1541. Not on the security of land, I suppose?—No.

1542. Is there any fundamental objection to land being taken as security?—Yes there is a fundamental objection as well. Any advance made against land tends to be locked up and no bank working with a comparatively small capital but with very large deposits, a greater portion of which being payable on demand and with certain amounts at various short terms, would like to keep its funds locked up by making advances on the security of landed property.

1543. Don't you think there is difference between the Imperial Bank of India and the other banks in the country in that the former receives large amounts of money from Government treasuries as deposits which they can utilise for their purposes?—Yes.

1544. And you know that land revenue is an important source of the Government funds, of which the Imperial Bank is the custodian and, therefore, it is incumbent on the Bank to take a larger share in financing

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agriculture which is the staple industry of India?—There seems to be a great misconception regarding the handling of Government funds by the Imperial Bank of India. In lieu of these deposits you know the Bank does an immense amount of work for Government. It maintains Government accounts at practically every branch throughout the country. It maintains the currency chests of Government, and utilises Government money for its other banking activities as a remuneration for doing all this work for the Government. Government saves a lot of expenditure that way by not having to deal with their funds directly, keeping accounts, etc. Moreover, when money is tight during the cold weather, Government balances are low and during the hot weather we have a very large Government balance which we find we are unable to use.

1545. A witness in Peshawar told us that the Imperial Bank does not advance money to the *zamindars*, except to a favoured few. Is that so? —No, we don't make any distinction at all. Mostly our advances are made on the security of stocks of produce.

1546. Don't you advance on personal security?—No, except the re-discounting of recognised *shroff's* bills.

1547. Another witness has said that the Imperial Bank of India keeps a list of approved customers and that list is prepared on the advice of the Treasurer and the Accountant of the Bank with the result that a large number of eligible persons are kept outside this list and do not receive adequate facilities from the Bank. Is that statement true?—That is absolutely untrue. The Imperial Bank is a business concern and is there to do business with any party of good means or standing. We naturally can't do any business with parties, who we have reason to believe, are unsound financially.

1548. Another complaint has been made that the Imperial Bank of India does not provide adequate remittance facilities for the indigenous bankers?—In places where there are branches of the Imperial Bank we are providing very cheap transfer facilities for transfer of funds. We have the control over the currency chests of Government at practically every branch and for transfer of funds we put the money into one and take it out of the other currency chest and the transaction is thus completed and naturally we give that benefit to the people.

1549. Do you think it possible to make indigenous bankers agents of the Imperial Bank in places where the Bank's branches do not exist?—Agents in what way?

1550. Supposing a workable scheme is evolved?—That is rather a large subject. It seems to me that it is possible that some scheme could be devised, *e.g.*, *shroffs* could be encouraged to get their customers to draw cheques in vernacular on them in the ordinary form instead of the usual *hundis*.

1551. *Lala Shri Ram*: In reply to question 12 you have said in your written memorandum that you are helping the agriculturists by making advances of money to them on the security of gold ornaments. Can you give us some idea of the total amount advanced to them that way in all the branches under your control?—I should say it is about 13 or 14 lakhs of rupees.

1552. Can you tell us what percentage it bears to your total lendings? —I cannot give any estimate.

1553. It is enough if you give us a rough idea?—I have been instructed not to give out detailed figures, and so I am sorry I cannot say anything more than that.

1554. How is it you think that these advances help the farmers and the agriculturists and not the urban population? Why do you believe it to be so?—Of course, the urban population also take advantage of the offer.

1555. So that all the 14 lakhs of advances which you have made are not to the agriculturists alone?—No.

1556. Do you know that the trinkets of the farmer are almost always made of silver and not of gold?—There are gold and silver ornaments as well.

1557. I am speaking only of the farmers?—My opinion is, and I know it as a matter of fact, that in some districts these ornaments are almost always entirely in silver while in others they have gold ornaments as well. In fact that is our practical experience. We opened a pay office in the Punjab and shortly afterwards instituted the system of making advances on the security of gold ornaments and in a short time we lent about Rs. 40,000.

1558. Could you give us an idea how this money went out month after month? In what parts of the year you lent more and when less?—I cannot give you details. This business of lending on gold ornaments has only been recently instituted in Northern India. It is generally done on a very large scale in the Madras Presidency and at one branch alone we lent out up to Rs. 14 lakhs chiefly to the agriculturists against the security of gold ornaments. In the sowing season the money goes out and when the crop is reaped these loans are generally repaid.

1559. I wanted to have the same information from you regarding the system of granting loans on the security of gold ornaments and how it is working in these parts?—Business has not developed to such an extent in these parts, so it is impossible to say. We have been doing this business only for a little more than a year now.

1560. So it is not possible for us to know how much money went out month by month?—I am afraid not.

1561. What do you do in cases of failure of repayment of the debt?—After serving proper notices on the parties we sell these ornaments by auction.

1562. So you are permitted to do so?—That is one of the terms of the contract: the ornaments are liable to be sold after due notice after demand.

1563. What percentage of the value of the ornaments do you advance?—We keep a margin, I think, of about 10 to 20 per cent.

1564. If it is 10 per cent. then you cannot keep these ornaments for more than a year?—We only charge 7 per cent. interest. But the margin will be about 20 per cent.

1565. Have you any idea how often you had to auction the ornaments for failure of repayment of the loan?—I cannot recollect even a single instance where we had to auction the ornaments so far.

1566. Is it due to prompt repayment of the loans taken?—They usually repay.

1567. Is any particular branch of yours doing this business on a large scale?—Money is continually flowing out and coming in in the usual manner.

1568. Had there been no case in which you had to auction the ornaments? The experience of co-operative banks and indigenous bankers had been that especially during the last two years realisations are very poor?—It is not our experience in any case.

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1569. Does that not go to show that these lendings are more to the urban rather than to the rural population?—We have supplied you certain figures with regard to this. We asked the branches concerned to eliminate the urban as far as possible and include only those advances made to agriculturists only in these figures that are supplied. Of course, it is very difficult to draw a clean cut line of demarcation, but, however, these figures may be taken to be approximately correct.

1570. The former Secretary of the Central Co-operative Bank of Delhi told us in answer to a question by a member here that the Imperial Bank of India never advances any money to the co-operative bank. How is it?—This is not the case, we have been advancing on securities. And we don't hesitate to do so.

1571. *L. Bal Kishen*: On the security of Government paper.

1572. *L. Shri Ram*: That is one of the duties of the Imperial Bank, in fact. They have always been doing that to anybody and everybody. So, you don't treat the co-operative banks in any special manner?—We also advance money on the security of the demand promissory notes executed by the unions.

1573. *L. Bal Kishen*: Do you mean to say that when the pro-notes drawn by members of primary societies in favour of the central co-operative bank are endorsed in favour of the Imperial Bank, the latter makes an advance?—That is so.

1574. *L. Shri Ram*: So, your Delhi branch does not do this sort of business evidently?—It all depends upon the position of these central banks. We are giving the benefit of cash credit accounts to such banks.

1575. In answer to question 18 you say that the Imperial Bank of India provide finance for movement of produce chiefly by means of purchasing the demand drafts of dealers representing produce despatched to consuming centres, etc. Do not the indigenous bankers do the same?—Of course there is any amount of competition in this business.

1576. Are the branches of the Imperial Bank of India under your charge situated only in places where there are Government treasuries or are they also situated in places where no Government treasuries exist?—These branches are all situated where there are Government treasuries.

1577. You say in the same paragraph that "at places where the Imperial Bank of India is not represented rates run much higher and it is probable that the cost of funds is passed on to the agriculturist". Don't you think it is justifiable because of the cost of transportation of money from one place to another?—I think it is justifiable.

1578. What do you mean by "clean bills"?—Loans granted without any security other than the personal security of the borrower, on pro-notes or usance bills.

1579. Do you advance "clean loans" in Delhi?—Yes, to a very limited extent on usance bills.

1580. On pro-notes?—No.

1581. The Imperial Bank of India Act does not preclude you from doing that does it?—It does not preclude the Bank from doing so provided two unconnected parties or individuals or banks join together.

1582. Do you know that in places like Ahmedabad and Bombay only on the signatures of single persons clean loans are given by the Imperial Bank of India?—I don't think so. In fact, I am certain that it is not the case.

1583. What do you do in the way of helping industry in Delhi?—That is rather a large question.

1584. Have you ever advanced any money to any industry managed purely by Indians in Delhi?—I am afraid I do not know very much about the previous history of conditions in Delhi.

1585. How long have you been the Manager of the Northern India branches of the Imperial Bank of India?—For about 6 months now. Moreover I am not the agent of the local branch of the Imperial Bank.

1586. What would be your policy, supposing an application came to you from an Indian managed industrial concern?—I should look upon it from a business point of view. As far as I am concerned it does not matter to me whether it is an Indian or European concern and if I find from a business point of view the transaction can be made I have no hesitation in making it.

1587. It has been suggested to me from reliable sources that you make a distinction between Indian and European managed concerns or industries and that is why I am asking you about it?—I don't think that is the case at all.

1588. Supposing a sound concern comes to you for a clean loan, what will be your policy?—We cannot advance clean loans to single individuals or firms.

1589. If you are not precluded by the Imperial Bank of India Act why should you not do it?—In the first place under the Imperial Bank Act we must have a second name and secondly, as far as possible we don't make advances on clean loans and insist on some security or other.

1590. Am I to understand that you don't mind putting the industry and trade in the Province under you at a disadvantage as against Bombay, Calcutta and Ahmedabad?—Practically all the advances by the Imperial Bank of India in Calcutta and Bombay are secured. Very few clean advances are granted.

1591. If you are not precluded under the Act from doing so why should there be any objection?—We view at it from a business point of view.

1592. I know of very many instances where the Imperial Bank have advanced clean loans in other parts of India. Why should Delhi alone be at a disadvantage?—I don't think there are many cases like that.

1593. Even if there be only one?—It depends entirely on the standing of the parties.

1594. You will have no objection to the granting of such loans in Delhi in principle?—None at all.

1595. In reply to question 19 you say "The Imperial Bank and other banks advance freely against produce stored at *mandis* but generally speaking such advances are made to commission agents and dealers."

Further on you say that the cost would be high. I want simply to ask you to confirm that these commission agents and dealers are necessary and cheap institutions according to you?—It amounts to that.

1596. Are you talking from the point of view of the agriculturists themselves?—Certainly, but it depends on the price that the commission agent pays to the agriculturists.

1597. It is nothing that is concealed from you. Whatever it may be, am I right in saying that you believe that they are cheap and necessary institutions?—Yes. I suppose you are comparing them with a proposal to establish ware-houses.

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1598. I will come to that in a minute. I agree to all that you say regarding the establishment of ware-houses. I am also against the idea and there it is that myself and Mr. Chahlani don't agree. I consider myself that these commission agents are cheap and necessary institutions?—I agree with you in that.

1599. The whole idea as far as I understand of the warehouse system is that the farmer would be able to sell his produce at a time when he thinks it most advantageous, but you agree that there is the possibility of the prices going down, as the prices have been steadily going down for the last 4 years?—That is so.

1600. In answer to question 52 you say that the Imperial Bank plays little part in financing the export trade. I am asking for your personal opinion. Don't you think it is unfair that the Imperial Bank should be precluded from doing exchange business?—There is a good reason why the Imperial Bank is not permitted to do exchange business. We hold Government funds and if we were allowed to do exchange business it is possible that a very large proportion of our funds might go abroad and I think Government purposely did not permit us to do exchange business with a view to make us utilise all our resources in this country itself.

1601. On that ground you are against doing exchange business?—That, I think, is the reason.

1602. I am not asking the reason why you are precluded by Government from doing that business. Supposing you are a private banker, may I ask whether you will not do exchange business yourself?—I would.

1603. And under the Imperial Bank of India Act you are putting the exchange banks in a favourable position as against the joint stock banks with whom you are competing in almost every important port of the country, is that not so?—Your idea is that if the Imperial Bank of India is permitted to do exchange business in competition with the exchange banks, its competition with the joint stock banks and other indigenous banks will be lessened. Of course, you know exchange business is a specialised system of banking.

1604. You don't want to convey that the Imperial Bank has not got the requisite special staff or cannot get them if need be?—Specialised men would be required for that purpose.

1605. But there is no such thing as impossibility?—I agree.

1606. On the other hand may I say that the same Government funds are utilised, if I may say so, in creating difficulties in the way of joint stock and other indigenous bankers?—Yes.

1607. From your wide experience will you be able to tell us for how many persons of the population is there a bank?—I am afraid I don't keep statistics in my head. I really cannot say.

1608. But you agree there are many more banks in the west than there are in this country?—Certainly.

1609. Compared with the west you agree that the existing number of banks in this country have not yet been able to touch the fringe of society?—That is so.

1610. Do you think it possible for the Imperial Bank or the exchange banks or the joint stock banks to open so many new branches and run them profitably?—It is absolutely impossible.

1611. Then the only conclusion that we can come to is that the indigenous bankers ought to be made more useful to the society by legislation. As a matter of fact you yourself have suggested in answer to question 72 as follows "I would suggest that any indigenous banker accepting deposits to an amount to be fixed by statute should be required to publish a balance sheet periodically duly certified by a recognised chartered accountant. Such an arrangement would tend to inspire confidence in depositors and would be of great assistance to the joint stock and other banks in their dealings with such bankers". I fully agree with you in what you say. What privileges or advantages would you give them in return, as you have got certain advantages for doing Government business?—I have not considered that point.

1612. But you would certainly agree that they should be given some sort of special facilities or rights?—I think they should be helped as far as possible.

1613. And in that case would you make any distinction between joint stock banks and indigenous bankers or put them on the same level?—In what respect.

1614. In every respect I mean in your dealings with him?—Personally I will have no objection to have dealings with him.

1615. At present, is it a fact that you charge indigenous bankers a little more than $\frac{1}{2}$ anna per cent. on transfers than you do in the case of exchange banks and joint stock banks?—Yes, we charge a little more.

1616. May I know why it should be so?—For exchange banks and joint stock banks we allow a special rate and the ordinary public is charged a little more.

1617. Who decided that it should be done so?—The Central Board of the Imperial Bank.

1618. You mean the Managing Governors?—Yes.

1619. You said in reply to a question from the Chairman that Government balances with the Imperial Bank of India are less during the cold weather when the money market is tight, but under the new act you can borrow up to 12 crores of rupees from currency, is it not?—Yes, but we have to pay interest at bank rate to Government.

1620. But you get enough funds during the busy season?—That is not Government money but an expansion in the currency.

1621. That however enables you to relieve the situation?—Yes.

1622. You have made some complaints about having cheques in the vernacular?—It is rather difficult.

1623. Difficult in what way? Most of your staff are Indians and you should be able to manage the thing?—Of course we do allow cheques to be drawn in vernacular. But there is the difficulty about deciphering the genuineness of the signature.

1624. Do you think the use of cheques in vernacular to be handled by you is more difficult or is it worth your while to try and overcome the difficulties to encourage the growth of cheque habit?—I think it is worth our while to increase the cheque habit.

1625. *Professor Chabiani*: I suppose you are aware that we asked for some information from the Managing Governors of the Imperial Bank of India (a copy of which must have been communicated to you) regarding certain details of your business?—We are collecting the information.

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1626. Will you please favour us with those statistics at your early convenience? We wrote for that information as early as the 7th January 1930?—I think they have written to the branches concerned direct to collect this information and as soon as statistics are ready they will be supplied to you.

1627. We wish that these particulars regarding Delhi and the North-West Frontier Provinces should be furnished to us at as early a date as possible?—Perhaps, if the Secretary will give me a copy of his letter I can investigate and let you have the information as soon as possible.

1628. Thank you. You said in answer to the Chairman that Government balances are low when you really need them most, *i.e.*, in the busy season of the year?—Yes.

1629. May I suggest to you that Government balances are actually at the highest when the agriculturist needs money badly?—He needs money mostly during the sowing season for the purchase of seed.

1630. Sowing season for the *rabi* crop begins somewhat about October and money is not tight then?—Money does not become tight until well into the month of December.

1631. During the months of May and June there is sowing, the money is not stringent then?—No.

1632. Well, so far as purposes of agriculture are concerned there should then be no difficulty in extending Imperial Bank's scope of financing agriculture when it requires seasonal aid?—No.

1633. If some agency could be devised by which the agriculturist would be able to draw upon you during the slack seasons of the year when you have plenty of funds at your disposal you would be able to use Government balances to greater advantage by financing agriculture?—Yes, if you mean advancing money through some agency to the agriculturists.

1634. This business of advancing money on the security of gold ornaments is not confined to agriculturists alone?—Anybody can have a loan against ornaments.

1635. So far as agriculturists are concerned it is not likely that he will come to you for a loan during the busy season of the year?—He would probably come to us during the sowing season when he wants to purchase seed.

1636. Don't you think that during the slack season when you have more funds at your disposal you should reduce your rate of interest on such loans?—No, we have a fixed rate of 7 per cent.

1637. I am suggesting an objection to that fixed rate. Don't you think that you should reduce your rate of interest during the slack season?—Well, my experience is that the agriculturist does not appreciate a slightly lower rate or otherwise. He always prefers to pay a fixed rate of interest. My own opinion is that in dealing with people of that class you should not have a fluctuating rate.

1638. Supposing you don't deal with the agriculturist directly but you deal with some other agency as I have suggested already?—We don't do such business in the Provinces here but down in Madras we give advances to the Nedungadi Bank, I think. When they are short of money they re-pledge gold ornaments with us, when we advance money to them.

1639. There would naturally be good reason to reduce your rate of interest during the slack season because you could expect your money

back during the busy season, is it not?—If it is worth while reducing the rate of interest, it could be done.

1640. I am only talking about the possibilities of extending the business by lowering the rate in the slack season?—There are, I think, great possibilities if we could work through agents.

1641. That is exactly my idea; this business can expand if a proper intermediary could be found?—Then that should be done.

1642. At the present moment you could not be lending in small amounts. It won't be worth your while, is it?—We have a minimum of Rs. 200 below which we don't lend.

1643. But obviously an agriculturist would not come to you for a loan of Rs. 200 from the villages?—No.

1644. Does your experience in this Province suggest that there are any large stocks of gold and silver ornaments in the hands of agriculturists judging from the amount of this business and the class of your clients during the last 12 months?—I think they do own ornaments.

1645. You have indicated only the percentage of growth of this business with the agriculturist. If you will kindly look up your figures a little more in detail that will give us a little more insight?—The figures that have been supplied already are for agriculturists only as I have already said before. In the District of Ghaziabad we have been doing this business on rather a large scale, but being outside the Delhi Province, the figures have been excluded. And then there is Peshawar city. When the Agent furnished these figures I asked him to eliminate the non-agriculturists from the agriculturists as far as possible and he has done so.

1646. You know it is rather an important point from the point of view of the general question of this gold and silver hoarding in India and so we would like to have as exact a picture as possible of the conditions prevailing in each of these areas, viz., Delhi and North-West Frontier Province separately?—I agree, I shall try to see if I could give you the figures you want.

1647. Is the money advanced on the security of gold ornaments usually returned after the harvest?—There is a tendency for the money to return then.

1648. Could you give us a percentage of money returned to the amount lent out?—But money is continuously lent out and is also coming in.

If you kindly pick up 25 cases at random and follow them up from the time of advance of the loan up to the time money was returned it will give us a general picture of these conditions?—I will see if I can do it for you.

1649. We shall be obliged if you could do that for us at your early convenience?—Yes.

1649a. How do you account for the fact that this business of advancing money on the security of gold ornaments has not proved so popular in the city when according to our information the market rates on advances against ornaments has been as high as 12 to 15 per cent. in Delhi during the last 15 years?—It is partly due to want of publicity but mainly due to the fact that people don't like to go to the Imperial Bank and pledge their ornaments, for they are afraid they will be exposing themselves, and their financial position.

1650. Would it not for this very reason be better or would it not serve the purpose of the Imperial Bank better if some recognised agents are

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appointed from among the indigenous *shroffs* and you advance money through them?—We are doing that to a certain extent in other Provinces but not in Delhi because we have not been approached by *shroffs*. In other Provinces we advance on what are called “re-pledge with the *shroffs*”.

1651. Do you make any difference in the rate of interest between such *shroffs* and the general public?—We charge the same rate of interest all through.

1652. Don't you think that it will serve your purpose better and extend your business considerably if you make him (the indigenous banker) your agent and charge him less?—That is an idea. You want us to give him a workable margin and not compete with him directly.

1653. Don't you think that such a system is workable?—Yes it is.

1654. You have said something in your memorandum about the financing of industries. So far as Delhi Province is concerned, could you kindly give us the figures of advances made to industrial concerns in Delhi during the last five or six years. If you have any particular objection to giving us the exact figures, you can give us a general idea and the percentage of growth?—Very well.

1655. When giving figures of advances to industrial concerns, I would request you to give figures for industries under European and Indian management separately?—We collected these figures for all offices some years ago; it was a considerable sum. We are always ready to advance money against good security.

1656. So far as joint stock companies are concerned, you can judge their security from their balance sheet and there should be no difficulty in your giving them as much as their security warrants?—But the balance sheet does not show everything.

1657. But you can certainly see from their balance sheet more information, than you can in the case of private individuals who do not publish their balance sheets. I mean that in the case of joint stock companies there is not the same difficulty in judging the adequacy of the security?—No.

1658. You will have to leave in the case of an individual a much wider margin of possible error in your estimate than in the case of a joint stock company whose position you could easily ascertain?—Yes.

1659. You raise some difficulties about the use of vernacular script. Once again may I ask, would it not be possible to make the indigenous *shroff* your agent who should give some kind of guarantee in respect of the cheques endorsed by him?—Under the present system we have a *khazanchi* who is also an indigenous *shroff*. He certifies all vernacular signatures and endorsements. He has given security and gets his salary from the bank. That is the system which is working at present.

1660. In the mofussil centres where there are no bank branches, can you not make the local indigenous *shroff* your agent, and ask him to keep regular accounts and submit a copy of the accounts to you from time to time?—But the accounts will be in his own books.

1661. But he may be asked to pass on a summary statement to you every time and to give guarantee for a certain amount of business for which he is appointed your agent. On the basis of his guarantee you could trust him as an endorser?—How is that going to help the bank?

1661a. That will help you in having agents at a number of places where you have no branches to extend banking facilities?—But the

indigenous banker is already there and he keeps his own accounts and works on his own resources.

1662. But an individual dealing now with the *shroff* has not the guarantee that he would be subject to certain control from you?—You mean to say that the ordinary person would have more confidence in him than he has at present. I do not know if that is a workable scheme; I think a better arrangement would be as suggested here, to have his accounts audited.

But you can insist in the other case on his accounts being audited?—It might be possible to work out some such scheme.

1663. Regarding Question 18, you have said that the Imperial Bank provides finance for marketing purposes by means of purchasing the demand drafts of dealers. There are two kinds of demand drafts purchased by your bank, one from the dealers themselves which you discount; the other will be the demand drafts which will first go into the hands of the indigenous *shroffs* who will pass them on to you for rediscounting. What is the proportion of these two kinds of drafts?—The rediscounts are comparatively few.

1664. What then is the percentage of the total business in demand drafts done by the Imperial Bank as compared to the indigenous *shroff*?—He does not get a very large proportion, because if you compare the total exports from any particular place, I think in most cases, we provide, say, from 50 to 70 per cent. of the finance required.

1665. So that he must have been hit rather hard by the extension of the Imperial Bank branches?—Yes, he has been.

1666. If it is in the interests of the banking development in the country as a whole that the indigenous *shroff's* business should extend, then obviously you ought to encourage rediscounting by him rather than deal directly with the public?—Yes, in opening the business we should leave him a margin. At present we compete with him and he competes with us. It is by competition that the business is coming to us, because we both are in the market for this business.

1667. That kind of competition is undesirable because so far as general banking development of the country is concerned he must have a portion of the field to himself?—We cannot reach places where he can reach.

1668. You have cut off all his profits at places which are large centres of business leaving him only small places?—We very often discount their bills. These *shroffs* buy a large number of bills from small parties for small amounts and send them down to the ports and then they recover by selling to us one draft for a large amount.

1669. I do not suggest that you don't do any re-discounting or give him no help. What I am suggesting is that the more you deal directly with the public, the less is his business; the more the branches of the bank, the more severe is the competition that he feels. If you could possibly leave him a margin, then he will also make some profit out of this business?—We do leave him a margin when we rediscount and very often reduce the rate in the case of indigenous *shroffs*. At places which we cannot get to, they go out and buy drafts. They send them direct to the ports and obtain funds by drawing a draft on the port. That does not appear as rediscounting, but it is really drawing against a cover.

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1670. I am not suggesting that he is not taking advantage of the Imperial Bank whenever he can but that he should be given encouragement in order to induce him to give comparatively cheap finance in places which you cannot get at?—But he does make a big profit, because he sometimes charges -/6/- per cent. for certain places where there are no branches of banks.

1671. But you have said now that the bulk of the demand drafts from the marketing centres comes into your hands so that the more you extend your branches the greater will be the bulk of this business coming to you. What is his proportion of this business at present?—That proportion is comparatively smaller.

1672. Day by day it grows smaller the more branches of the bank you start?—Yes.

1673. Therefore if he is to survive, it is better to make him an agent of yours coming to you more often for rediscounting and to restrict your direct dealings with the public?—Of course we do rediscounting as much as we possibly can.

1674. His business is being curtailed because he cannot compete with you?—To a limited extent he can.

1675. We have been told that so far as Khurja, Chandausi, Hathras are concerned, only a few years ago they constituted a very important field of business for the indigenous banker in Delhi, but to-day this business has gone down so much that some of the leading firms have ceased to do that business on that side though they still continue this business on the Bhatinda side. In other words the suggestion is that towards the east they have been hit very hard in important *mandis* by the opening of branches of the Imperial Bank. Take the old leading firms of indigenous banks. They used to do remittance formerly. Now all their Kothis are doing nominal business and they have settled down practically as investors and landlords. If you take the Gazetteer of Delhi, you will find that about 14 or 15 of the well known firms mentioned therein are no longer doing this business. It is suggested that there is no margin left for these people, and that the effects of opening branches of the Imperial Bank on these indigenous *shroffs* have not been taken into consideration. If you could deal through them rather than directly with the public their position will greatly improve?—Of course the expansion of the Imperial Banks' branches has affected them in that we have brought down the rate of interest on drafts and also we provide very much cheaper remittance.

If you work through the indigenous banker and insist on his not taking more than the fixed maximum rate of interest from the public you will help him to survive and continue to serve the public?—I quite see your point; you mean that we should give him a margin to work just on the same lines as we do with the joint stock banks. It is a plan well worth a trial.

1676. One of the indigenous bankers says that in remittance business they have to pay at present -/2/- to the Imperial Bank, -/1/6 for telegraphic charges and 6 pies as brokerage and all that they get is the use of the money for 4 or 5 days. This information was given to us by a banker who does only banking and does not rediscount his *hundis* with you?—Why does he pay the broker, why does he not come to us direct.

1677. So far as remittance business is concerned, he has to pay this commission to the broker because he brings the *hundis* of the market to him?—I see what he really wants is a working margin.

1678. The present rates of the Imperial Bank are not really profitable to this high class *shroff*?—No.

1679. If you deal through them in remittance business then the system is likely to be properly adjusted?—That we should give them lower rates and charge the public higher rates so that the public may not come to us except through these bankers. Is that the idea?

1680. Yes.—There is certainly force in this argument.

1681. In reply to Question 19 you talk of advances against produce. Your sole objection against the warehouse system is that the expenses would be far too high and that the agriculturist is too small a man to bear all that. Have you ever considered the Egyptian system of giving loans against produce?—I don't know the Egyptian system.

1682. I will explain to you. The Government deposits with each bank a certain amount of money. The bank gives advances against the security of cotton to agriculturists for about four months generally. The rate charged is not more than 4 per cent. The Government bears all the charges of storage, packing, weighing, protection etc. No agriculturist can bring any other crop except his own. The necessary staff, cashier, agent, warehouse keepers etc., are nominated by the bank, but paid by the Government. The bank only debits a reasonable cost to the borrower regarding packing. The storage expenses are also borne by the Government. In case the man does not repay the money after 4 months, he is given some time more, and on his failure the bank has the power to sell the produce and credit the profits to his account. Now under this system your objection is wholly removed, since the cost is borne by Government and not by the Bank?—Where is the produce stored.

1683. It is stored in warehouses?—In central places.

1684. They go far into the interior?—Do they?

1685. The Government has established large godowns for the storage of cotton in the villages?—It must be rather an extensive undertaking by the Government.

1686. Your sole objection is expense to Government?—We have no objection if Government undertakes it.

1687. You have given us your views about the warehouse system in the United States of America. I will take your last objection first, that it will facilitate gambling transactions. So far as gambling and speculation is concerned, if it would facilitate gambling here, it must have facilitated gambling in the United States too?—Yes it has.

1688. But so far as the banker is concerned, he is safe, because he has got the security of the goods?—It depends upon the amount of advance against the goods.

1689. If he is left a safe margin?—He must work on normal market value.

1690. You may advance Rs. 75 or Rs. 85 for the produce worth Rs. 100. If the bank works on a safe margin, it does not incur any serious loss?—Well of course, no banker, if he can possibly help it will encourage speculation in trade and if we have reason to believe that the man is speculating, we avoid him, because he is unsafe.

1691. But where you advance against the security of a warehouse receipt so far as the question of safety of your advance goes, it does not arise at all?—This objection of mine is more or less a general objection.

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1692. But where you advance against the security of a warehouse receipt you pass a trade bill to the seller to be discounted by a bank, who generally has got a running account with him. That running account cannot be turned into cash, because it is not a negotiable instrument. If instead of this system, he passed a trade bill and the goods were kept in an independent warehouse and the warehouse receipt passed with it as a negotiable instrument, then there will be a number of bills available for rediscounting?—Quite so.

1693. At the present moment a business man is precluded from extending his business beyond the limits of his personal capital because he will be paid by the purchaser after 20 or 30 days, and his running account cannot be turned into cash. But if he had a trade bill with a warehouse receipt, he could come to you and ask for cash against his trade bill and do more business?—Yes.

1694. Don't you think that such a ware-house system will encourage these trade bills behind which there is positive proof that goods are in existence?—I think the principle is excellent, but the practical difficulties are very great.

1695. The practical difficulties are by way of cost?—Yes.

1696. Is not that scheme worth the expense in view of the general change that it will bring about in the whole of the money market?—The cost is going to be very considerable.

1697. You deem the system desirable provided the question of the cost could be met?—The system is an excellent one, because so far as banks are concerned it simplifies their business. If we have a warehouse receipt against goods, it will facilitate trade, because an advance could be made in no time.

1698. Apart from the question of expense, the mere fact of facilitating speculation cannot weigh against the general good effects that will result from such a system?—No. I think the objection regarding speculation is a point which may have to be considered, but the system, if it could be worked cheaply, will be an excellent system.

1699. In answer to Question 52 you say that the Imperial Bank of India plays little or no part in financing export trade from the village to the *mandi*, but it provides a very large proportion of the finance required for exporting from the *mandi* to the port towns. So when you finance the marketing of produce to the port towns, you get money at the ports?—Yes.

1700. You have no means of bringing back the money to Delhi except your currency chests?—Yes.

1701. If you were financing import trade, you will get adequate funds in Delhi automatically?—Yes, quite so.

1702. If you were doing that business also and were not precluded by the terms of the Act from dealing in exchange then you will have easy movement of funds both ways; on the one hand you will be financing the export trade and on the other hand the import trade. So such a system will be more desirable from the banking point of view than the present system with these water-tight compartments. Now exchange banks get the goods here for importers and get funds here in payment of imported goods which they are anxious to remit to the port towns, because their business demands it there. You on the other hand have got lot of funds in the ports which you want to bring up here. Therefore the present system is rather unnatural?—I do not know if it is

unnatural. We sell drafts and telegraphic transfer on port towns to the exchange banks.

1703. Because you are functioning to-day neither as a commercial bank, nor as a bankers' bank. As a commercial bank, you would immediately feel that this system is very disadvantageous and will take to the exchange business as the best way out of the difficulty?—Yes, that is true.

1704. In reply to Question 57 you say that the indigenous bankers are in direct competition with the Imperial Bank for deposits. You seem to suggest that the indigenous bankers have considerable deposits for the public?—I think they have.

1705. The information from other sources on the other hand shows that the *shroff* as a rule avoids deposits, and accepts deposit only when he wants money. The figures which I have got from the Income-Tax Department as to the amount of interest paid by the indigenous bankers of Delhi Province is about 3 lakhs only?—I have not very much experience of Delhi.

1706. In reply to Question 68 you say "I do not think that the Imperial Bank bill rate has any great effect on these rates". Obviously as the central bank of the country it is desirable that your rate should have greater effect on the market; you should be in a position to control the rate as in other countries where the central banks generally do. The only way to do this would be to link these indigenous *shroffs* more closely to you?—To make our bank rate effective; yes.

1707. Since they don't deal with you much, you cannot make your bank rate effective. If however you utilised some as your agents and generally dealt through them rather than competed with them, you will be in a better position to control the market rates?—Of course in recent years the Imperial Bank rate has been to a certain extent out of touch with the market rate.

1708. I have suggested this to you because the *shroff* is getting estranged from you more and more day by day?—I do not think so, but it seems to me that as the Imperial Bank rate is now the rate for the whole of India, it must at times and places be out of touch with the local market rates.

1709. If you utilise this indigenous agencies more and more and make them depend upon you rather than compete with you, or you compete with them, then they will be in a position in which your rate can have greater effect on them than at the present time?—Yes, that is so, if we were linked up together; but it depends very much on the nature of the link.

1710. For instance if in remittance you leave him a margin, and you don't allow the public to deal with you direct but control the rates charged to the public by indigenous bankers?—It probably would have that tendency.

1711. The more you are linked up the greater will be the tendency?—Yes.

1712. You say that the Imperial Bank Act imposes on you the obligation to have two signatures. The way in which you are practising this is that you have got a limit for the endorsing *shroff* and a limit for the party on whom the *hundi* is drawn?—We usually have a limit for the endorsing *shroffs* which is regulated more or less by his means and dealings. We don't have definite fixed limits.

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1713. Surely you would not discount more bills if you find that the endorsing *shroff* is endorsing too many bills of a single party?—Quite so.

1714. Then in practice there is a limit?—Yes.

1715. The limit of the endorsing *shroff* depends upon his general credit position?—And also to a certain extent on the bills he gives us.

1716. If in a particular month the endorsing *shroff* really had more commercial bills to discount, which carried with them some evidence that they represented purely commercial transactions rather than pure financing accommodation, the limit would be far more elastic? You would feel quite safe if more bills of this sort were coming and your limit in that case would be far more elastic?—It would be much bigger undoubtedly.

1717. One witness has told us that the Bank of Bengal never advanced money against ornaments, grain, cotton or merchandise which the Imperial Bank is now doing?—The Bank of Bengal certainly did not advance against ornaments; it made very little advance against grain, because the Bank of Bengal was only established at the larger centres and it acted more as a bankers' bank than as a commercial bank.

1718. To the extent that you have been increasing your advances against ornaments, grain, cotton or merchandise, the competition, so far as joint stock banks, and indigenous *shroffs* are concerned, must have been keener?—It must have been.

1719. One interesting factor has come to light that you are charging as much as -/3/- per cent. on remittances between new Delhi and old Delhi?—No; the new Delhi branch is now a member of the clearing house, there is no such charge now.

1720. But it existed?—It existed for a short time.

1721. Regarding your remitting money free of charge up to Rs. 5,000 for your customers, did that prevail for some time?—We have recently cut that out and now we charge our commission.

1722. Even so far as joint stock banks are concerned?—Yes, we charge them on all cheques.

1723. Did you find that the old policy did not work satisfactorily?—It was causing a loss of a large amount of profit; we took risks without any profit. Besides it involved a considerable amount of expense.

1724. *Kanwar Moti Lal*: Do you take 7 per cent. interest on security of gold ornaments from all or agriculturists only?—From every one.

1725. Do you take interest of 7 per cent. during all seasons or only in busy season?—All the year round.

1726. Do other joint stock banks finance the dealers or indigenous bankers or not; do the other joint stock banks take usance bills or not?—They finance in the same way as we do. So far as I know, I think they all advance against gold ornaments now-a-days.

1727. Is there much scope in the *mandis* of Delhi Province if such warehouses are opened or the agriculturists are able to store their produce in their own pits?—In Delhi most of the grain comes from outside. There is not a large quantity of grain grown in Delhi Province itself. The amount of grain produced in Delhi is very small as compared to the consumption of the Province, and I think the grain that comes in is not stored by the agriculturist, but it is stored by various dealers.

1728. What do you suggest about the stamp duty on usance bills; whether it should be abolished altogether or reduced?—I certainly think that it should be reduced because in my opinion it is far too heavy. The whole trouble is that at present finances are arranged by means of demand promissory notes, but in reality the arrangement is that they will be presented for payment after so many months, and we cannot rediscount them.

1729. How much should it be?—The *hundi* should be on imprest paper of the maximum value of Re. 1/.

1730. *L. Shri Ram*: It is now -/1/6, formerly it used to be -/1/-?—That was up to the year 1919.

1731. *Mr. F. F. Gray*: Don't you think the abolition of stamp duty on cheques has increased the cheque habit?—That is my impression. I think it certainly has increased the number of cheques drawn.

1732. Do you think the use of cheques in vernacular would prove difficult?—Yes, I think so.

1733. Is it possible to extend banking into rural areas without the use of vernacular; I mean is it possible to extend banking into rural areas and still use English script?—It is absolutely impossible.

1734. If we want to extend banking into rural areas, we must accept vernacular as a script?—Yes.

1735. In reply to Question 72 you make certain suggestions regarding indigenous bankers. Under the present conditions you say that you remit the money of the joint stock banks at a cheaper rate than you do of the indigenous banker. The indigenous banker is considered as public?—Yes.

1736. Supposing the indigenous banker kept a balance sheet as suggested by you, will you then put him on the same terms as the joint stock banks?—It is a question of the man's business, when it comes to the question of remittance; it is not a question of principle. The principle on which we at present work is that we give the banks who give us much business a concession in rates; and also in the very exceptional cases of big *shraffs* who undertake to remit a certain amount of money, say, 50 lakhs in a year, we allow them a concession in rates.

1737. *L. Shri Ram*: Thank you for clearing the point. I was up to now under the impression that this distinction is between the joint stock banks and indigenous bankers; now I understand it to be the limit of the man up to which he can work?—There are certain cases in which the indigenous bankers give an undertaking to remit a certain amount of business in a year.

1738. What are Incha Ram and Sons, bank or bankers?—We will treat them as indigenous bankers.

1739. *Mr. V. F. Gray*: Do you consider the present indebtedness of the agriculturists of the Delhi Province, and India for that matter, is due to the credit being too easily available, borrowing being too easily obtained?—I think it is, and of course it is due to the fact of the money-lender being there to lend to him.

1740. Should not our policy be rather to give cheaper money against secured debt but make it difficult to borrow for unproductive purposes without security?—We give facilities for cheap finance against security.

1741. Should our policy, however, not be to increase banking habits, in the villages, rather than purely borrowing, e.g., current accounts,

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paying in and drawing out rather than simply borrowing?—I think it would be more on the lines of savings bank in villages if you want to encourage savings bank habit.

1742. Has the mortgage law in any way interfered with the granting of loans by the banks?—Of course it does not affect the Imperial Bank to any great extent, because we do not grant loans to agriculturists. It is against the spirit of the Act. We don't like to lock up our money in long period loans. Of course if we find that a debt is doubtful, then we come in and take the property, but originally advances are not made against the security of landed property, such are practically never granted.

1743. Don't you think that quite a number of banks don't advance loans against land on account of the difficulty of the mortgage law?—From our own experience it is a very difficult thing to recover money in a mortgage suit. It will probably run over two or three years.

1744. Both the mortgage suit and the execution of decree are very difficult?—The mortgage suit is a lengthy procedure.

1745. Don't you think that the cost of running a bank's branch is unnecessarily high in India as compared to the amount of business it does in comparison with other countries. I have some evidence from Bombay which Mr. Chablani read out yesterday, but I have my own experience and I know that a branch in England costs much less than in India. My experience is that a branch at home in a village can be run for something like Rs. 100 a month including rent?—I suppose it could be.

1746. At home you have clerks in the nature of apprentices and you have guarantees from their parents against defaulting. Therefore to run a branch there is very cheap compared with a branch in India which would cost far more?—I think a branch in India is a very expensive business.

1747. Is there no means of running a small branch on about Rs. 100 a month?—A small branch or rather pay office costs us Rs. 400 or Rs. 500 a month. We cannot get away from it. In this country the man who does the clerk's work won't touch cash: there must be a cashier to handle cash. So we must have at least two men, one clerk and the other *khazanchi* in charge of cash, and then we must have our sweeper, *chaukidar*, *punkhawala*: etc., these are all whole time servants, while in England we have only part time servants.

1748. Then one stumbling block is the expense, and you cannot suggest any means of overcoming this?—I have been trying to find that out for myself.

1749. You don't take guarantees from the clerks?—No; but they have got their pension fund, which includes a guarantee section, which guarantees them.

1750. Can I have your views on the suggestion of gold certificates to induce savings; say, actually taking gold worth Rs. 8 and giving back in gold worth Rs. 10 after a period in order to remove this habit of buying gold?—It is very difficult to say, because I think most of the gold in this country is invested in ornaments.

1751. But the ornaments are not increasing in value in course of time. The ornaments would have to be melted down. That is the idea that the Government should issue gold certificates?—It is worth trying, but I doubt very much if the result would be satisfactory.

1752. Would it help in any way the Post Office Savings Bank?—I don't think so.

1753. Have you any suggestions to make to alter the Imperial Bank Act, to make it more helpful to the public and to the other banks? You yourself have told us that you wanted to do certain things, but that the Act would not allow you to do?—There are a number of minor matters; it is very difficult to say.

1753 (a). There is nothing very outstanding; they are mostly minor points, except of course the question of exchange work?—Yes.

1754. *L. Bal Kishen*: Just for my information, have you made any rules about advancing of loans to central banks against the pro-notes of co-operative societies or does it depend upon each branch to lay down any rules it likes?—There are definite regulations laid down. The pro-notes have got to be renewed after certain periods, and the total advanced by the Central Bank on the pro-notes must not be less than the amount advanced to the Central Bank.

1755: There are rules for these things?—Yes.

1756. You fix the limit of each bank up to which you will advance on the security of pro-notes?—That is considered by the local Head Office.

1757. If no amount is drawn from that account for a long time you close it?—No, I don't think so, not if the Central Bank still requires it.

1758. Supposing a central bank has made this arrangement and does not ordinarily draw on this account, will you close the account, do you suffer any loss by keeping that in force?—To a certain extent we do. It has got to be taken into consideration; it weighs with us.

1759. I did not quite understand on what grounds you stop the remittance of money from one branch to another at par?—We stopped on the ground that we were losing money over it.

1760. You just gave it a trial in the beginning?—We had the idea of encouraging business, but we found that the tremendous volume of business we had to do did not pay us. A cheque for Rs. 100, besides charges for stationery, writing letters, etc., entailed an expense of -/2/6 on account of postage and registration charges, and we found that we lost a good deal of money over it.

1761. As far as these loans against gold ornaments are concerned, what system of valuation of gold do you follow?—We are trying to train our clerks in testing the gold. We use a touch-stone and till a man is trained, we employ a local goldsmith.

1762. Supposing he makes a mistake in testing, then what will happen?—The work is done through the *khazanchi* who is responsible.

1763. Has the *khazanchi* paid anything specially for that?—No. He has a fixed pay which is commensurate with all the services that he renders. Under the contract, we have taken security from him and he is responsible to the bank in all these matters.

1764. Supposing some loss occurs in testing then who will bear that?—The *khazanchi* will have to make it good.

1765. And in the same way you said it was *khazanchi* who certifies the signatures in vernacular on cheques?—Yes, he has to certify that the vernacular signature of the drawee on the cheque is genuine.

1766. And he is responsible for that too?—Yes, he gets a fixed pay for all these responsibilities which is mentioned in the agreement.

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1767. For these loans against ornaments you don't fix any period, do you?—No, but we endeavour to recover interest every three months and insist on its being paid at least every nine months.

1768. If I pledge to-day and take a loan, can I return the loan to-morrow and take back the ornament?—Yes, that is possible.

1769. Have you taken any action to propagate this scheme among the villages by advertising or otherwise?—We have had vernacular hand bills circulated in the villages through the village headmen.

1770. Do you allow corporate bodies to open savings banks accounts with you?—Yes we do. In several places we have got accounts in the names of Municipalities, Provident Fund accounts and savings bank accounts in the names of other public institutions, such as schools and colleges.

1771. I have experience of one co-operative society being refused permission to open a savings bank account by the Imperial Bank of India?—The object of the savings bank is to benefit poor people and inculcate the habit of saving in them.

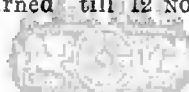
1772. But the members of these co-operative primary societies are generally all wage-earners and they are certainly eligible for these concessions?—Are they not performing a similar function themselves?

1773. But not a small co-operative society of small status and position when its members combine for thrift?—In a case like that I don't see any reason why we should not open an account for them.

1774. There is no legal difficulty about that so far as you could see?—I think so myself, but I can't give you a definite opinion on that.

(The witness withdrew.)

The Committee adjourned till 12 NOON on Wednesday the 26th February 1930.



नमो भगवते वासुदेवाय

Wednesday, the 26th February 1930.

NEW DELHI.

PRESENT.

Khan Bahadur Diwan ABDUL HAMID, C.I.E., O.B.E., (*Chairman*).
 Professor H. L. CHABLANI, M.A. | Rai Sahib KANWAR MOTI LAL.
 Lala BAL KISHEN. | Lala SHRI RAM (*Co-opted Member*).
 Mr. V. F. GRAY, M.L.C.

Mr. V. S. MARBALLI, (*Secretary*).

BAKHSHI PINDI DAS, B. A., P. C. S., Revenue Extra Assistant Commissioner, Delhi.

I.—Written memorandum.

GENERAL.

1775. *Personal*.—I took over in May last and have a very limited experience of this Province. My knowledge is based on summary enquiries and revenue papers. I may preface the replies to the questionnaire with the following information showing the general condition of the rural areas.

1776. *Area*.—According to the revenue papers the total area of the Province is 370,001 acres of which 228,930 acres are cultivated. The total number of estates is 381 of which 25 belong to Government. There is only one Tehsil in the District and the unit for the province, district and tehsil is the same. The above area may be divided into two portions as under:—

	Total area.	Cultivated.
(1) Belonging to Government	53,728	13,000
(2) Other	316,273	215,930
Total	370,001	228,930

1777. The cultivated area against (1) is given on lease and is mostly cultivated by the sub-tenants under the lessees. No. (2) may be taken as purely rural area. The important statistics regarding the latter are quoted below under different heads.

1778. *Assessment circles and holdings*.—There are 25,898 proprietary holdings and 93,176 cultivators' holdings in the province. The whole area is divided into six circles for purposes of assessment and the necessary details regarding each are tabulated in the statement below.

1779. It will be noticed that average cultivated area per holding varies from 4 acres in the *Khandrat* circle to 15 acres in the *Shahdara* circle which has come from the United Provinces.

1780. The total area amounting to 316,273 acres of which 215,930 acres are cultivated, has been assessed to Rs. 3,77,554 giving an incidence of Rs. 1-12-0 per cultivated acre.

1781. Of the cultivated area 69,534 are irrigated, of 43,283 receive irrigation from canals, and 26,251 from 4,919 masonry and 1,009 *kacha* wells. The average *chahi* area per well comes to between $4\frac{1}{2}$ and $5\frac{1}{2}$ acres. Two-thirds of the cultivated area (144,961 acres) is *barani* and dependent on rain.

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1782. The total population of the rural area is 183,768 of which 39,034 own land. Altogether there are 93,176 cultivators' holdings of which 55,422 are of tenants.

1783. Of the total cultivated area 124,751 acres are with owners, 17,631 with occupancy tenants, and 74,148 with non-occupancy tenants.

1784. *Area under mortgage*.—The area under mortgage whether with or without possession can be ascertained from the *patwaris'* papers, but statistics regarding the latter are not maintained in the Tehsil and District Offices. The details regarding the former are given in the following statement and those regarding the latter are being collected.

Name of Circle.	Number of transactions.	Area.		Land revenue.	
		Total.	Culti- vated.		
Bangar	(1) To agricul- turists.	Ownership 2,777	5,963	5,853	11,404
		Occupancy 339	484	451	...
	(2) To others	Ownership 366	740	705	1,470
		Occupancy 158	210	210	...
		3,143	6,643	6,538	12,874
		497	694	691	...
Koni	(1) To agricul- turists	Ownership 1,894	3,668	2,972	3,162
		Occupancy 35	55	55	...
	(2) To others	Ownership 282	523	460	438
		Occupancy 12	26	26	...
		2,176	3,591	3,432	3,600
		47	81	81	...
Dabar	(1) To agricul- turists.	Ownership 2,090	5,548	5,426	8,262
		Occupancy 226	421	418	...
	(2) To others	Ownership 80	599	576	865
		Occupancy 29	45	45	...
		2,170	6,147	5,996	9,127
		255	466	463	...
Khandrat	(1) To agricul- turists.	Ownership 695	930	921	2,084
		Occupancy 66	67	67	...
	(2) To others	Ownership 143	253	251	819
		Occupancy 42	43	43	...
		838	1,183	1,172	2,903
		108	110	110	...

Name of Circle.	Number of transactions.	Area.		Land revenue.		
		Total.	Culti- vated.			
Khadar	(1) To agricul- turists.	{ Ownership 569	1,575	1,237	2,237	
		{ Occupancy 124	212	208	..	
	(2) To Others	{ Ownership 97	440	330	526	
		{ Occupancy 11	18	18	..	
		666	2,015	1,567	2,763	
		135	230	226	..	
	Shahdara	(1) To Agricul- turists.	{ Ownership 121	1,750	1,446	2,183
			{ Occupancy
(2) To Agricul- turists.		{ Ownership 46	307	227	252	
		{ Tenancy ..	..	..	..
		167	2,057	1,673	2,535	
		
Total	(1) To agricul- turists.	{ Ownership 8,146	18,774	17,849	29,332	
		{ Occupancy 790	1,239	1,229	..	
	(2) To others	{ Ownership 1,014	2,862	2,549	4,471	
		{ Occupancy 252	342	342	..	
		9,160	21,636	20,398	33,803	
		1,042	1,581	1,571	...	

1785. The amount of mortgage money is not available at present but can be worked out from the *patwaris'* papers. However the figures for the transactions made from 16th June 1928 to 15th June 1929 are available and are given below with those of redemption of mortgage:—

Ownership.

	Mortgages.	Mortgage money.	Area (acres).	Redemptions.
	Area (acres.)			Redemption money.
		Rs.		Rs.
Bangar . . .	711	2,28,283	266	57,320
Kohi . . .	425	69,232	181	23,141
Dabar . . .	781	1,15,458	434	34,803
Khandrat . . .	125	48,797	52	12,018
Khadar . . .	321	36,343	100	8,060
Shahdara . . .	390	19,709	1,096	1,55,075
	2,753	5,17,822	2,129	2,90,417

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1786. It will be interesting to compare the land revenue of the area mortgaged with the total land revenue by assessment circles:—

Assessment Circle.	Total land revenue.	Land Revenue of area under mortgage.	Percentage of Column 3 on Column 2.
	Rs.	Rs.	
Bangar	1,59,709	12,874	8.45
Kohi	39,141	3,900	11.44
Dabar	1,99,393	9,127	8.34
Khandrat	31,526	2,903	9.21
Khadar	36,821	2,763	7.50
Shahdars	18,964	2,536	13.37
Total	3,77,654	33,503	8.95

1787. Shahdara and Khadar circles are subject to river action and have large holdings. Grazing grounds and milk cattle bring them sufficient income.

1788. Kohi circle has small holdings and is populated by *gujars* who sell milk and ply carts. This circle is entirely dependent on rain and has only 5 per cent. irrigated area.

1789. Dabar is also a *barani* tract, but it has 20 per cent. well irrigated and 12 per cent. *sailab* area, the latter receiving flooding from the Najafgarh *Jhil*.

1790. In times of drought the Kohi and the Dabar tracts suffer most. The people of the latter circle have no vocation to fall back upon in times of distress.

1791. Bangar and Khandrat circles are irrigated tracts. The former may be called a canal irrigated tract and the latter well irrigated.

Mortgages to Agriculturists and Non-Agriculturists.

1792. The Punjab Alienation of Land Act has been applied to the Shahdara tract but no tribes have yet been notified as agriculturists in that tract. In the remaining portion of the Province the Act is in force. The tribes notified as agriculturists in the main area have been taken as such in the Shahdara tract also.

1793. Altogether 21,636 acres of land are under mortgage of which 20,393 acres are cultivated. Of the above area only 2,862 acres, out of which 2,549 acres are cultivated, are with the non-agriculturists. The latter includes 1,750 acres of Shahdara tract of which 1,446 are cultivated. These figures relate to ownership and include mortgages for specific terms. As to occupancy lands 1,581 acres are under mortgage of which 1,571 are cultivated. There are no mortgages of occupancy rights in the Shahdara tract.

1794. *Takavi*.—The following amounts are outstanding (15th November 1929):—

	1927-28 and previous years.	1928-29.	1929-30.	Total.
	Rs.	Rs.	Rs.	Rs.
Seed Fodder	{ .. 240	58,215 15,070	7,985 ..	66,200 15,310
Bullock: and Other	{ 20,650 18,205	28,730 ..	.. ..	67,585 ..
Wells	{ 25,000 52,518	.. 36,675	.. 1,750	.. 1,15,943
Total	1,16,613	1,38,690	9,735	2,65,038

Takavi is freely resorted to and is freely given.

1795. *Co-operative Credit Societies*. I understand from the Inspector of Co-operative Societies that at present about six lacs of rupees are outstanding.

1796. *Crops*. The main crops of this province are bajra, jawar, maize, cotton, sugarcane, chillies, and hemp in *kharif*, and wheat, barley, gram, pulses, oil-seeds, vegetables, and tobacco in *rabi*.

1797. Area under crops varies from year to year according to the vagaries of seasons. I would, therefore, give the result of the best harvest the Province has had since the last settlement and also the results of the last two harvests which have been poor.

No. of Wells.			Harvest.	Irrigated.		Unirrigated.		Total.	
				Sown.	Matured.	Sown.	Matured.	Sown.	Matured.
				Acres.	Acres.	Acres.	Acres.	Acres.	Acres.
<i>Pucca</i> . 4,067		<i>Kucha</i> . 553	<i>Kharif</i> 1918	12,306	12,114	1,37,677	1,23,562	1,50,007	1,35,676
<i>Fit</i> . 1,625	<i>Unfit</i> . 2,132		<i>Kharif</i> 1929	22,825	21,174	1,16,276	35,415	1,33,101	56,589
4,642	...	229	<i>Rabi</i> 1925	16,632	16,451	1,73,508	1,55,316	1,95,200	1,71,767
1,650	2,992	...	<i>Rabi</i> 1923	57,725	49,044	95,909	10,575	1,53,594	59,619
4,919	...	1,009							
3,388	1,536	...							

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1798. *Suspensions.* Ignoring small suspensions there have been the following suspensions of large amounts since the last settlement of 1900—9.

				Rs.
<i>Khari</i> 1911	..	..	..	5,149
<i>Khari</i> 1913	..	..	..	12,192
<i>Rabi</i> 1914 ..	..	..	..	18,996
<i>Rabi</i> 1916 ..	..	..	..	9,182
<i>Khari</i> 1917	..	..	..	9,990
<i>Rabi</i> 1918 ..	..	..	..	6,841
<i>Khari</i> 1918	..	..	..	66,974
<i>Rabi</i> 1919 ..	..	..	..	32,402
<i>Rabi</i> 1921 ..	..	..	..	15,006
<i>Khari</i> 1928	..	..	..	60,639
<i>Rabi</i> 1929 ..	..	..	..	31,288

The above figures show that drought never allows the people to take a sigh of relief and they are always at the mercy of rains.

Rates of rents. Non-occupancy tenants generally pay rents at the following rates:—

		Rs.	
<i>Chahi</i>	20	} per acre. (<i>Abiana</i> is paid by cultivators).
<i>Nahri</i> ..	..	25
<i>Sailabi</i> ..	..	10
<i>Barani</i> ..	..	5

1799. *Annual value.* The annual value of the land can be worked out by applying the normal rates to the normal produce and also by reference to rents by classes of soil.

1800. According to the latter the result is as follows:—

	Area.	Rate of rent per acre.	Total rent.	Annual value (twice the rent).
		Rs.	Rs.	Rs.
<i>Nahri and Chahi Nahri</i> ..	43,283	25	10,82,075	21,64,150
<i>Chahi</i> ..	26,251	20	5,25,020	10,50,040
<i>Sailabi</i> ..	19,095	10	1,90,950	3,81,900
<i>Barani</i> ..	1,27,301	5	6,36,505	12,73,010
Total ..	2,15,930		24,34,550	48,69,100

The annual value would thus come to Rs. 48,69,100.

Debts. Debts may be divided into 5 classes:—

- (1) Mortgages of land with possession.
- (2) Mortgages of land without possession.
- (3) *Takari* loans.
- (4) Loans taken from co-operative societies.
- (5) Other debts.

Nos. (1), (2), (3), and (4) can be accurately ascertained. The exact figures are however not available at present.

1801. The figures for 1928-29 show that 2,753 acres of land of which 2,601 acres are cultivated were mortgaged with possession for Rs. 5,17,822. The total area under mortgage with possession is 21,636 acres of which 20,398 acres are cultivated. With reference to the figures of 1928-29 the mortgage money of the total area under mortgage may be estimated at about Rs. 40,69,595.

1802. *Takavi* loans amount to Rs. 2,65,000. The co-operative credit societies have issued loans amounting to about Rs. 6,00,000 in round figures. The total of the above debts comes to Rs. 49,34,595. I would estimate the other debts at Rs. 50,65,405. The total debt of the agricultural classes in the rural area may thus be roughly estimated at about one crore of rupees.

1803. *Price of Land*.—The price of land may be estimated at Rs. 11,72,71,800 as under :—

				Area.	Rate per acre.	Price.
					Rs.	Rs.
<i>Nahri</i>	..	..	..	43,283	1,000	4,32,83,000
<i>Chahi</i>	..	..	..	26,251	1,000	2,62,51,000
<i>Sailabi</i>	..	..	..	19,095	500	95,47,500
<i>Barani</i>	..	..	..	1,27,391	300	3,81,90,300
Total				2,15,930		11,72,71,800

1804. *Conclusions*.—Roughly the total value of the whole of the rural-area amounts to about 12 crores of rupees. The total debt for this area amounts to about one crore of rupees, and the annual value to about 50 lacs of rupees. These are appalling figures.

I would suggest the following remedies to check indebtedness :—

1. Education.
2. Social reform.
3. Propaganda work.
4. Extension of canal irrigation.
5. Encouragement of well irrigation.
6. Co-operative movement.
7. Joint work by :—

(a) Agricultural	}	Departments.
(b) Veterinary		
(c) Education, and		
(d) Co-operative		

8. Legislation regarding fixing of time limit for mortgages of land.
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II.—Replies to the Questionnaire.

A.—AGRICULTURAL INDEBTEDNESS.

1805. 1. No accurate estimate of the existing indebtedness of agricultural classes can be given for a village or the whole Province without special enquiry. Such information may be collected from:—

1. *Patwari's* papers. All kinds of mortgages of land are recorded therein, whether oral or written, and whether by registered or unregistered deed, and with details of area and mortgage money.
2. *Takavi* registers. These registers are maintained in Tehsil and District Offices and can give exact amounts of loans advanced for improvement of land under the Land Improvement Act or for purchase of seed, fodder, cattle, etc., under the Agriculturists Loans Act.
3. Records of Co-operatative Societies.
4. Records of Registration Offices and Income Tax Offices.
5. Account books of money-lenders.
6. Records of *Rahitias*.
7. By enquiries from *zamindars*.

Debts are incurred for one or the other of the purposes mentioned in this question, but the *zamindars* generally borrow money on the following occasions:—

- (1) Marriages.
- (2) Deaths.
- (3) Failure of crops.
- (4) Litigation.
- (5) Purchase of cattle and seed.
- (6) Land revenue.

1806. In *nahri* areas sometimes money is borrowed to take land on mortgage or to build a house.

1807. This is a district of small holdings and the number of persons owning more than 100 acres each is small. In a province like Delhi where two-thirds of the area is insecure and crops fail every now and then, the *zamindar* can hardly raise his head from under the debt. He lives on hope and cannot resist the temptation of taking loans on occasions of marriages, deaths, etc., when he thinks that he will be lowered in the eyes of his *bradri* if he does not spend up to the standard of at least a middle class *zamindar* even if he knows that it will be very difficult for him to repay the debt. He has no vocation to fall back upon in times of scarcity and has no means of repaying the debt except from the produce of his land which can hardly suffice to keep him going. He is loath to work as a labourer on works not agricultural, and would rather resort to borrow money than try to find some industry to support him. The holdings being small, the *zamindars* are very hard hit in times of scarcity as they can make no savings in ordinary times. In irrigated tracts too *zamindars* are not free from debt. They would spend unscrupulously large amounts on occasions of marriages and other such like occasions and would sometimes rush into litigation. They are raising their standard of living and *pucca* houses are also rising up here and there.

1808. I may here note the names of the notified tribes. They are:—

1. Jats (Hindu and Muhammadan).
2. Gujar (Hindu and Muhammadan).
3. Ahir (Hindu).
4. Taga Brahmins.
5. Taga Musalmans.
6. Sainis (Hindu).
7. Mali (Hindu).
8. Arain (Muhammadan).
9. Sayyads (Muhammadan).
10. Boloch (Muhammadan).
11. Choahans (Hindu and Mohammaden).
12. Mayo (Mohammaden).
13. Rajputs.
14. Moghal.
15. Pathan.
16. Gour Brahmins (Separate group).

1809. Hindu *jats* predominate in the province and form the majority of borrowers. But all classes are in debt. The Mohammaden *zamindars* are comparatively more in debt. *Zamindars'* lot can only be improved if there is some security for the produce of land. The chief need of the *zamindar* is water. Everywhere there is a cry for water. May it come from heaven or from earth. Economy in canal water may give relief in areas within its reach and the Irrigation Department may perhaps find some way of help in other ways. The next remedy is well irrigation. It should be encouraged in all possible ways. There are a number of *bands* in this province and if further improved can be of much greater use than at present. I would suggest that if possible the Government should provide tube wells at their own expense and charge water rate as is done in the case of *nahri* areas. Small industries should be started in the villages on a large scale. Social rules can do much in checking unproductive debts, but the most important step to make the *zamindar* change his present customs and ideas seems to me to be the starting of propaganda work. The *zamindars* are illiterate and the only effective way of making impressions on their minds is oral propaganda. Lectures, songs and the like can do much in this connection. The work can be taken up by the co-operative societies and small functions may be held in villages. In the Punjab in some places advantage is taken of *Kabaddi* matches, etc., and uplift propaganda is done on these occasions. People need education before they can realise the benefits of thrift. Most of the debts are due to indigenous bankers and co-operative societies. *Zamindars* have also a fair share and *Rahmias* also have some hold on the people. At times *zamindars* mortgage their land to pay off old debts. Ornaments and other such like articles are pawned generally in times of distress when money cannot be had even on the security of land. In *barani* tracts the money-lender would like to issue loan on interest rather than take land on mortgage. *Zamindars* generally borrow from their old *sahukars* and would not go elsewhere on account of previous attachment. *Sahukars* are always available and would give small amounts any number of times. Such facilities they think are not open to them elsewhere. I understand no new *asamis* come to *banias*.

1810. I would take the following areas as forming economic holdings for families of 5 or 6 members:—

<i>Nahri</i>	12 acres.
<i>Barani</i>	25 acres.
				<i>Chahi.</i> <i>Barani.</i>
Mixed	7 acres, 12 acres.

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1811. As regards mortgages I am of opinion that 20 years rule should be fixed for all whether agriculturists or not. It may have adverse effect on the security of *barani* lands, but I think the agriculturist will gain more than what he will lose.

1812. 2. The general rate of interest charged from *zamindars* is Rs. 2 per cent. *per mensem*. If the amounts advanced are higher, a low rate is charged, if small, a higher rate. Accounts are generally settled annually in the month of *Jeth*. For seed which is advanced before the 15th of November, interest is charged for the whole year, and for that advanced after that date for half the year. Repayment of debts is made in cash if possible. Otherwise the creditor takes grain at the time of harvest. They also take cattle and carts in lieu of debts. If the creditor is an agriculturist he might take the debtor's land on mortgage with or without possession. In case of dispute resort is had to courts and temporary alienations are made for fixed terms.

1813. 4. No.

1814. 7. No.

1815. 8. *Rahti* means a loan of Rs. 10 advanced on condition that the borrower will pay Rs. 12 in twelve monthly instalments of Re. 1 each. Amounts on this system are taken by—

- (1) *Gujars*.
- (2) Menials.
- (3) Men engaged in small industries.
- (4) Cultivators of small means.

No. (1) sometimes gets more than one *rahti* on the same terms. They have monthly income from sale of milk and this kind of loan suits them. The *rahtias* advancing these loans charge 4 as. or 5 as. from the amount of *rahti* as contingent expenses and also impose penalty of pies 6 or one anna per instalment for default.

B.—FINANCE FOR AGRICULTURAL PRODUCTION.

1816. 12. (a) (1) From *banias*.

(2) *Takavi*.

(b) *Takavi* and co-operative societies.

(c) as against (a).

As to interest *vide* reply to Question 2.

Takavi loans are freely advanced by Government for (a) and (b).

1817. 13. The cultivator freely borrows *takavi* under the Agriculturists Loans Act. The last two years figures are as under:—

				1927-28.	1928-29
				Rs.	Rs.
Seed	..	..	..	..	58,215
Fodder	..	..	..	240	15,070
Bullocks and other	..	..	..	20,650	28,730
Wells	..	..	..	25,000	36,675
Total				45,890	1,38,690

1818. **16.** I can give no estimates but I do suggest that well irrigation should be encouraged and loans advanced for sinking wells freely. The question of constructing tube wells in big tracts by the Irrigation Department and charging water rates as in case of *nahri* areas may be considered.

C.—FINANCE FOR MARKETING.

1819. **17.** 1. Delhi, 2. Nerela, 3. Najafgarh, 4. Mahrauli, 5. Shahdara and Bahadargarh (Rohtak District).


1820. **18.** The produce is given to village *banias* if small in quantity otherwise it is taken to the nearest *mandi* on carts belonging to cultivators themselves. The commission agents charge one pice per rupee from the sellers in the mofussil *mandi* while in Delhi this charge is paid by the purchasers. But the cultivators have to pay the octroi duty. Money-lenders take the produce at cheap rates, say, one *pao* per rupee.

1821. **19.** Produce is generally taken to the market from the threshing floor otherwise it is kept in big bags or *kothas*. At the market it is generally kept in bags or on floor.

D.—LONG PERIOD LOANS FOR AGRICULTURE.

1822. **27.** *Vide* reply to Question 13.

1823. **28.** The average value of land per acre is given below by classes in round figures:—



	Price of land per acre.	Value of produce, per acre.
	Rs.	Rs.
<i>Nahri and Chahi</i>	1,000	100
<i>Sailabi</i> ..	500	60
<i>Barani</i> ..	300	40

Value of land is affected by the following factors:—

- (1) Situation.
- (2) Productive Power.
- (3) Income from land.
- (4) Urgency.
- (5) Money in the market.

1824. **29.** There are no legal impediments to mortgage of agricultural holdings in the Shahdara tract, but in the remaining portion of the province the Punjab Alienation of Land Act is in force and mortgages to non-agriculturists cannot be made for over 20 years.

1825. **55.** *Bohras* and *banias* chiefly.

1826. **57.** Agriculturists generally get seed from them and cash also for cattle and other necessities.

1827. **63.** *Vide* reply to Question 2.

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Oral evidence.

1829. *Chairman* : You have been the Revenue Extra Assistant Commissioner here since May last?—Yes.

1830. You say in your memorandum that “the average cultivated area per holding varies from 4 acres in the Khandrat circle to 15 acres in the Shahdara circle”. Why is this difference?—Khandrat is well-irrigated area. Shahdara tract is on the other side of the river.

1831. Therefore the holdings are larger in Shahdara?—Yes; Khandrat is well irrigated area. I have stated in the memorandum that of the cultivated area, 69,534 acres are irrigated, of which 43,283 acres receive irrigation from canals and 26,251 from wells. The total area of the Khandrat circle is 11,959 acres of which 3,945 acres are *chahi* and 2,786 acres is *nahri*. This area is close to the Delhi town and so the holdings are small.

1832. Has the Punjab Alienation of Land Act been applied to the whole Province?—It has been applied to the Shahdara tract, but the tribes have not been notified as yet.

1833. You have been here in this Province for five years, and nine months. Can you say from your experience which is the driest part of this Province?—I should say Kohi and Dabar.

1834. What is the state of holdings there?—I have given the figures in the statement attached to my memorandum under the head “assessment circles and holdings”. The number of proprietors’ holdings is 25,898 and that of cultivators’ holdings 93,176

1835. Do you think there is any further demand for expansion of credit facilities?—In times of distress of course there is demand.

1836. But not in normal times?—I don’t think there is much demand in normal times.

1837. Not for agricultural purposes even?—Leaving aside the *takavi* grants and loans from co-operative banks, I don’t think there is demand for further facilities. I have in view only two things, the improvement of land and the marketing of produce.

1838. What do you think of the general condition of agricultural classes in this Province?—They are not in good condition, because there has been failure of crops.

1839. Are they thriftless?—I don’t think so. Of course there are certain exceptions, but generally they are not thriftless.

1840. Don’t they spend too much on marriages and funerals?—Of course sometimes they do, but their means are limited and generally they are cautious about these expenses.

1841. Is the drinking habit common?—No.

1842. Do you think canal irrigation can be extended in this Province?—Only in very small tracts. I have just mentioned that in my replies. There is only a small area for irrigation just adjoining Bangar tract, but I don’t know if water can be spared for this tract.

1843. In a cycle of 5 years how many years are good, bad and indifferent?—I have given some figures about suspensions, and

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these will disclose the number of such years (*vide* para. 1798).

1844. So the years 1918 and 1928 were bad years?—Yes.

1845. Have you got the figures for the intervening ten years?—Yes, I have got these figures, but not here.

1846. Will you kindly send them on to us?—I will send these figures.

1847. Which of the tribes in this Province you think are good cultivators and which are slothful, lazy and altogether bad agriculturists?—*Sainis* are the best and then come Jats.

1848. Don't you think that the Land Alienation Act in any way encourages constitutionally lazy people in neglecting their holdings? I don't think so.

1849. You have spoken of time limit for mortgages. Will you kindly explain your idea?—My idea is, that non-agriculturists cannot take land on mortgage for more than 20 years, and there is no reason why the agriculturists should be allowed to have land for more than 20 years. If the time limit is fixed, the land would be free in the case of agriculturists as well as non-agriculturists.

1850. *Prof. Chablani*: Mr. Pindi Das have you been very long in this Province?—No; I have been here for the last 8 or 9 months. I have seen only one *Girdawari*, i.e., *Kharif* 1929.

1851. So your statements are based not on personal knowledge, but on revenue papers?—The first para. of my note would disclose that. I have already said that I took over charge in May last and that my knowledge is based on summary enquiries and revenue papers.

1852. Then what you say regarding the actual rates of interest is not based upon your personal knowledge?—No, but on the summary enquiries that I made.

1853. You cannot on the basis of those summary enquiries tell us as to what the actually realised rates of interest are as distinguished from the stipulated rates of interest?—Of course, I have not seen any documentary evidence, but I believed the persons whom I consulted during the course of the summary enquiries.

1854. Did you draw the attention of the persons, whom you consulted to the fact that it is quite one thing to stipulate a particular rate of interest and quite another to recover that rate right up to the point of sale in execution of a decree?—No, I cannot say that; I have not made enquiries regarding that.

1855. In your summary enquiries you have never heard general complaints about recoveries?—Generally they cannot make full recoveries.

1856. You have given us some idea of what is called the *Rahti* system. Can't you tell us the extent to which this system is prevalent in the villages?—The extent is given in my reply. It is only taken by *gujars* and menials and small proprietors and also by people engaged in small industries.

1857. Is this based upon your personal knowledge?—Personal knowledge of course is to this extent that I have consulted the persons who take loans on that system.

1858. What is the extent to which this system, as compared to other systems of credit, is prevalent?—Not very appreciable.

1859. In your memorandum you have told us that the cultivated area is given on lease and is mostly cultivated by sub-tenants under the lessees?—That is with regard to Government lands.

1860. Can you tell us exactly how far it pays to the sub-lessee to take such land under the *batai* conditions?—As to other tenants.

1861. You say that the Government lessee does not cultivate himself, but he sublets it on lease, on the *batai* system, either on the basis of one fourth or one half. Have you ever tried to find out what the actual average of the sub-tenants' annual net earning is?—As in the case of other tenants; there is no difference.

1862. In the case of a sub-tenant do you find that it pays the cultivator-tenant better to get a sub-lease than to become a labourer on the land?—I do not understand the question. My difficulty is about the kind of labour.

1863. Instead of taking the land lease on the *batai* system a man has got the option of becoming a labourer?—I don't understand how a tenant instead of having the land on the *batai* system can become a labourer.

1864. What I am trying to find out is this. Delhi is a big city and here people come from villages at a distance of 10 or 12 miles. They can go to the city and get employment there or they can also work in the rural areas purely as labourers on cash wages?—To do what work?

1865. Of cutting the crop and sowing the crop?—I am not aware of that.

1866. But surely an ordinary labourer, if he comes to the city, can get work here. Have you tried to find out whether by cultivating the land under *batai* system the man gets more or less than what he would get by becoming a labourer in the city?—I have not tried to find out that. It all depends upon the circumstances. People are now practically leaving villages and coming to towns.

1867. Apart from other attractions of the city, does the man who cultivates under the *batai* system get more than what he would get by labour in the city?—I cannot answer that question.

1868. How much can he cultivate himself without taking in outside labour?—He can cultivate 20 acres, but he gets the produce of only 10 acres. There is a difference in produce from village to village and from plough to plough.

1869. Supposing that an average holding (*i.e.*, what you consider an average holding) is let out to him on lease in its fragmented condition, will he (the tenant) get more or less on an average holding than what he would if he became a labourer?—I cannot compare the two. There are different sizes of holdings in different areas.

1870. *Chairman*: I will explain the question. Supposing a man takes on lease a piece of land, say 5 acres, from somebody; for cultivating those 5 acres of land he will have to pay cash rent or *batai* to the owner and take the balance for himself. Will that balance of income from the cultivation of that bit of land be, in your opinion, equal to the amount that he is likely to get as wages if he remained in the city as labourer?—If a tenant has got one plough, in that case I think the labourer would get more.

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1871. *Prof. Chablani*: You say in your memorandum that the average cultivated area per holding varies from 4 acres to 15 acres, while from the last Settlement Report I notice that the average holding there is put down as just under 2 acres?—That is tenants' holding and this is proprietary holding.

1872. You are talking here of the proprietary holdings?—Yes, there is a statement attached to the memorandum which gives the assessment circles and the holdings.

1873. In other words, you mean that the average proprietary holding is very much larger than the average tenant's holding?—Yes.

1874. You have also given us a table showing the name of the circle and the name of transactions, etc., etc.?—No, that is a misprint, it is the name of the circle and the *number* of transactions. The figure 2,777 against the Banga circle is the number of mortgages. The figure represents the number of mortgaged holdings. This is the number of transactions of mortgages to agriculturists.

1875. It has nothing to do with the area?—The area is separately given.

1876. You have given certain figures of redemption as well as of mortgage money for 1928-29. Will you kindly look carefully at these figures? It appears that the proportion of the area redeemed to the area mortgaged is 7: 9, while the proportion of the redemption money to mortgage money appears to be 3: 5. Can you explain this? Does it mean that more or less costly land is being mortgaged than the land redeemed?—I have not made enquiries about this question, but I gather that in some cases the area redeemed is again mortgaged for a higher sum. Supposing a land was first mortgaged for Rs. 500; after redemption it is again mortgaged for Rs. 700. It may be mortgaged to the same person or to some other person; I cannot say definitely, but this is what sometimes happens.

1877. I suppose you have also got the statement which the Delhi Administration has supplied to us showing the mortgages and redemptions from 1912 onwards?—I have not got that statement. (The Secretary gave witness a copy.)

1878. In your memorandum, you tell us under the heading "mortgages to agriculturists and non-agriculturists" that altogether 21,636 acres of land are under mortgage of which 20,398 are cultivated. Will you please tell us if this is the amount of existing mortgages up to date? How did you obtain that figure, from which record?—I got it from *lal Kitab*.

1879. Does it give the total existing mortgage?—Yes. We revise our records quadrennially, and one fourth the number of estates comes under revision each year. I have already stated that these figures are not correct figures. I can now give you the correct figures also. The difference is not very appreciable. The exact figures as worked-out by the *patwaris* are as follows:—

Total area mortgaged	..	..	..	20,733 acres.
Mortgage money	..	..	..	Rs. 38,681(?)

1880. Is this up to date?—Yes.

1881. Is it the revised figure according to the system which you have described now?—There are at present 380 estates. One-fourth of them

i.e., the records of 90 estates are revised each year and incorporated in the revenue records; 90 this year, 90 next year and so on. The revised figures are incorporated in the *lal kitab*.

1882. But three-fourths of these figures then will not tally with the figures which I shall get from the village book?—I have now given you the figures.

1883. These figures are more correct than those which you could get from the headquarters of the tehsil?—Exactly.

1884. Can you find from the village books as to what the amount of the mortgage money was at the time of the last settlement?—We can find the amount from the records about area.

1885. If you wish to compare these figures with the last settlement figures?—It will have to be worked out then. I can supply these figures, if you like.

1886. When supplying these figures, kindly give the figures for Shahdara where the Land Alienation Act is in force and the other areas separately?—Very well.

1887. Will you kindly look at the figures in the statement supplied by the Delhi Administration. I notice certain peculiar facts. The total area mortgaged from 1912 to 1928 is only 39,864 acres while the total area redeemed is 43,409 acres; i.e., the area redeemed is greater than the area mortgaged?—I have not followed your question.

1888. I have added the annual figures and I find that the total area mortgaged is 39,864 acres, of which 8,518 is irrigated, 29,214 unirrigated; and the mortgage money is Rs. 66,93,756. The area redeemed is 43,409 acres; the irrigated area redeemed is 9,136 acres and the unirrigated area redeemed is 29,315 acres, and the mortgage money repaid is Rs. 42,29,248. These are the relevant figures. Now I want you to correct me, if you find that my interpretation is wrong. The area redeemed is 43,409 acres and the area mortgaged is 39,864 acres; so the area redeemed is greater than the area mortgaged?—The same area may have been mortgaged and the same may have been redeemed. What is your point?

1889. On the basis of these figures redemptions are greater than the mortgages and yet the amount of money paid in discharge of mortgages is lower than the mortgage money paid for mortgaged land?—That depends upon the quantity of land.

1890. If you turn to the figures again, you find that the irrigated area redeemed is greater than the irrigated area mortgaged?—Yes.

1891. Which means that so far as quality is concerned, your explanation would not hold good?—I cannot fix the values, because the mortgage money is not worked out on any average.

1892. May I suggest to you a possible explanation; it is that people are discharging their debts on almost 2/3rd mortgage debt?—I don't think so. Now I understand the question. The mortgage money remains the same at the time of redemption; i.e., the money which was shown at the time of the original mortgage is requested at the time of redemption. The same amount is shown at the time of both the mutations.

1893. Is not the mortgaged area redeemed both of irrigated and unirrigated land in every detail greater than the area mortgaged?—It

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may be, but I may tell you that one acre of land near Delhi is equal to 20 acres of the outside land.

1894. You don't suggest that for 17 years it was only the land near Delhi which was being mortgaged?—As Revenue Extra Assistant Commissioner, I can say on the authority of my experience that the mortgage money entered in the records is the same in cases of both mortgage and redemption.

1895. If your contention is correct then how do you account for this difference?—I cannot tell you at present. Possibly the statement may be wrong, but what I can say is that the mortgage money remains the same at the time of both the mutations of mortgage and redemption. The *patwari* will simply say in the mutation that so much mortgage debt was discharged. I cannot say whether the total of this statement is right or wrong. You may draw any inference you like. I cannot say anything about this statement unless I make enquiries myself.

1896. *Chairman*: If you have any other means of getting at the correct figures will you kindly make further enquiries and let us have the proper explanation of these figures?—Yes, I will.

1897. *Prof. Chabiani*: You have given us the average value of the land as follows:—

		Rs.
<i>Nakri</i> .. .. .	..	1,000 per acre.
<i>Chahi</i> .. .. .	..	1,000 „ „
<i>Sailabi</i> .. .. .	..	500 „ „
<i>Barani</i> .. .. .	..	300 „ „

Will you kindly tell us what these figures are based on?—I have consulted my records. These rates are based on official records and on the local enquiries made by me, but these rates are rather high.

1898. Are these figures based on your summary enquiries only or do you think that these are the actual sale values?—These are based upon the sales as recorded in our books.

1899. Have you taken the average of five years in working out these figures?—I have gone through the records and I have taken the latest figures. These figures relate to the year 1927-28 and I find that the figures for 1928-29 were also the same.

1900. These figures are then based on actual sales of the year 1927-28?—You may take it like that I have consulted the official records as well as the people of the *ilaga*.

1901. You say that these were also the figures for 1928-29?—Roughly.

1902. Your values then are supported by the actual recorded sale values?—Yes, roughly. You may have noted that these rates are rather high.

1903. But you say that these are based on the actual sales?—I have taken round figures. If the amount is above Rs. 50, I might have taken it to be Rs. 100, but if you want the exact figures, I shall supply the same.

1904. Will you also give us the corresponding figures at the time of the last settlement?—I think the Settlement Report contains some remarks about this. I will try to let you have these figures as well.

1905. You have estimated the mortgage money of the total area under mortgage at 40 lakhs?—But here the rates given are based on rent.

1906. In this estimate it appears you have taken into account only mortgages with possession; you say there 'the figures for 1928-29 show that 2,753 acres of land of which 2,601 acres are cultivated, were mortgaged with possession'?—Apart from the mortgages with possession there are mortgages without possession and according to the figures that I have since received 1,321 acres are mortgaged without possession for Rs. 11,47,399.

1907. Will you pass on these figures to me?—Yes, but in one case you will find that 111 acres in the Khadar tract have been mortgaged for Rs. 1,39,208, and that big item spoilt the average.

1908. The mortgages without possession are different from the mortgages with possession and yet you assume in your estimate that the total area mortgaged is mortgaged with possession?—No.

1909. Have you given us the total area under mortgage without possession?—According to the figures the total existing area up to date under mortgage without possession is 1,321 acres as detailed below:—

<i>Chahi</i>	..	..	..	..	137 acres.
<i>Chahi-Nahari</i>	..	..	..	..	12 "
<i>Nahri</i>	..	..	..	..	235 "
<i>Abi</i>	..	..	..	..	2 "
<i>Sailabi</i>	..	..	..	..	34 "
<i>Barani</i>	..	..	..	..	901 "

The mortgage money is Rs. 11,47,339; but the figures are given by circles.

1910. But the Delhi Administration has not given us the figures for mortgages without possession. Are these figures not available there?—They are available from the *patwaris* and not at the *tahsil* or *Saddar* headquarters.

1911. If you turn to your figures for redemptions of mortgages, these redemptions obviously refer to mortgages with possession; so the figures for redemption of mortgages without possession have to be taken into account are different?—I have collected mortgage figures for mortgages without possession and not for redemption money of mortgages without possession.

1912. Surely redemptions are equally important if not more?—I thought you only wanted to know how much land was mortgaged. Net mortgages and not gross.

1912a. Have you compared these figures with the settlement figures?—No.

1913. If you take the settlement figures of the total existing mortgages and add the annual mortgages without possession and with possession *minus* redemptions, you will find that the total very often does not tally with the total existing mortgages given by you?—The total does not tally because we have not got the exact figures at headquarters. These figures are worked out quadrennially for only one-fourth of the estates and these new figures are incorporated in the statistical

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records; so we cannot have the exact figures. I got the present information from the *patwari*. This is more reliable and exact.

1914. Have the redemptions been taken into consideration when working out these figures?—Yes.

1915. Your calculation is open to one other objection, unless either the land mortgaged in 1928 was exceptionally good or the land values in 1928 were exceptionally higher?—May be.

1916. I find that the mortgage value of land per acre in 1928 was Rs. 198, while in previous years it was not even Rs. 50?—Yes.

1917. Please turn to your memorandum again. There you have estimated the debt at one crore of rupees and the total value of the land as Rs. 11,72,81,800, and you consider these figures as appalling?—Yes.

1918. Now would you call the debt of a man living in urban areas “appalling” if he owns a property worth Rs. 22,000 and has a debt of only Rs. 2,000?—This needs an explanation. I call these figures appalling with reference to the resources of the agriculturists and also in regard to the seasonal fluctuations. For instance, during the last four harvest *zamindars* have not got anything to spare.

1919. I am not just now concerned with all that. I am only asking you this plain and simple question. If a man living in a city had properties worth Rs. 22,000 and owed a debt of Rs. 2,000, would you consider his condition as “appalling”?—I cannot say ‘yes’ or ‘no’ to that question. I say, if other things are normal then it cannot be considered appalling.

1920. Ordinarily, you know in the business world a man’s position financially is judged by his property?—Yes.

1921. If an agriculturist of the average status explained wishes to get rid of his debt he has only to sell off 1/11th of his property and the whole debt will be wiped out. Is that not so?—That is true but if he goes on doing like this in about 20 years he will have to part with his whole land.

1922. If he wants to get rid of his total existing debt he has only to sell less than a tithe of his land and be freed from his debt?—Yes.

1923. If therefore he sticks to his land in spite of all fluctuations in his annual income from it, it must be a business proposition for him?—Yes.

1924. Under the title “conclusions” in your written memorandum you say “Roughly the total value of the whole of the rural area amounts to about 12 crores of rupees. The total debt for this area amounts to about one crore of rupees and the annual value to about 50 lakhs of rupees”. What do you mean by the expression “annual value”? Do you mean the gross yield or the net yield?—It includes the landlord’s share as well as the Government’s share. In fact it is twice the rent and nothing more.

1925. What about the tenant’s share then?—When he pays rent he keeps his own share to himself.

1926. According to you the gross yield of the land, including the cost of labour and other working expenses, is 4 per cent.?—I hope you have worked out the percentage from the figures that I have given you.

1927. And so only 2 per cent. will remain as the cultivating tenant’s share as his remuneration and cost of cultivation?—I think so.

1928. And the land-lord will get only 2 per cent. interest on his investment?—Yes.

1929. Considering the state of the agriculturists do you consider whether such an investment is profitable for land-lords?—I have already explained that this District entirely depends on rains.

1930. Whatever the reasons may be, would you as a business man approve of an investment which yields only 2 per cent. interest when the Government of India gives you 6 per cent. on their loans?—But it is a permanent investment.

1931. But you agree that if the money is invested in Government securities it will yield permanently a return 3 times more?—But that cannot be helped.

1932. Don't you consider that an investment habit that gives people only 2 per cent. interest when the market yields $6\frac{1}{2}$ per cent. is un-economic and undesirable in the interests of the country?—You can call it un-economic but it is not undesirable. As explained in Chapter 2 of the Punjab Land Administration Manual, paragraph 7, Government has a political advantage. (*Witness began to read the portion concerned*).

1933. I am not discussing the political advantage or otherwise. I am talking only of economic advantage.

1934. *Chairman*: What Professor Chahlani wants to know is whether it is economically undesirable?—I agree it is economically unsound.

1935. *Prof. Chahlani*: You say in answer to question 1 "this is a district of small holdings and the number of persons owning more than 100 acres each is small". Is it not possible for you to give exact figures?—No.

1936. You can't even give us a rough idea?—I can't give any rough estimate. If necessary I can find out details.

1937. Was it not done at the last settlement?—No.

1938. Later on you say "I would take the following areas as forming economic holdings for families of 5 or 6 members: *nahri* 12 acres and *barani* 25 acres".—Yes.

1939. For a family of 5 or 6 members you consider 12 acres of *nahri* land to be an economic holding?—Yes.

1940. According to you this means a rental of Rs. 300 and a gross yield of Rs. 600?—Yes.

1941. What will be the land revenue on 12 acres of *nahri* land?—It will be about Rs. 40 to Rs. 50.

1942. Therefore Rs. 600 minus Rs. 40 will make it Rs. 560 and this amount you consider as sufficient for a family consisting of 5 or 6 members?—Yes.

1943. Then you consider 12 acres as sufficient in the case of a proprietary holding?—Yes.

1944. In case he does not cultivate the land himself but gives it to a tenant for cultivation it must be 24 acres of *nahri* land, is it not?—Yes.

1945. But in the case of *barani* land the yield according to you will be only about Rs. 250 and that being so how would Rs. 250 minus land revenue suffice for that family consisting of 5 or 6 members?—*Nahri* land yields income every year but *barani* land does not yield income every year.

1946. So it means either that rent is not the true index of the income of the land or that 25 acres of *barani* land is not an economic holding?—I should think 25 acres of *barani* land is enough.

Bakshi Pindi Das.

1947. *L. Bal Kishen*: Don't you think in the case of *barani* land a minimum economic holding should be 50 acres instead of 25 acres if 12 acres of *nahri* land is an economic holding?—In the case of *nahri* land the peasant cultivator has to spend more than in *barani* areas.

1948. *Prof. Chablani*: May I put it to you that your two suggestions are inconsistent? In the case of 12 acres of *nahri* land his net yield is Rs. 560 minus the cost of cultivation?—Yes.

1949. But if he cultivates *barani* land then he must also get Rs. 560 to maintain a normal family?—Yes. I have accepted the theory of the Settlement Officer that the income from *nahri* land is double that of *barani* land.

1950. *Chairman*: Don't you think that you have estimated rather generously in the case of *nahri* land in your estimate of an economic holding?—At each harvest time incidence of land revenue per acre is worked out and in doing so *nahri* is reduced to *barani* by multiplying it by two.

1951. *Prof. Chablani*: What I am suggesting to you is that if the figures of economic holding of *nahri* land is 12 acres it cannot be 25 acres for *barani* land if your figures for rent and gross yield are correct?—I can only explain to you how we have arrived at this estimate.

1952. *Chairman*: Will you kindly enquire further into the matter and let us have your considered views in regard to this matter of an economic holding for *nahri* and *barani* land?—I shall endeavour to do so.

1953. *Prof. Chablani*: Considering the vicissitudes of rainfall one acre of *barani* land will on an average yield only as much as half an acre of *nahri* land?—Yes.

1954. Therefore in determining the average yield of *barani* land you should not take the produce of a good year of *barani* land as your basis?—No.

1955. In order to find out the size of an economic holding you will have to multiply your figures of 25 acres *barani* land by a multiple that makes proper allowance for failure in some years?—Yes.

1956. So then the figure for an economic holding of *barani* land should be much more?—I agree, but I have not worked out the figures on that basis.

1957. The object of the Land Alienation Act is that the land should remain in the hands of the agricultural tribes?—Yes.

1958. Then so far as the Delhi Province is concerned nothing more can be done. Because even according to you out of a total of 20,389 acres of cultivated land under mortgage only 2,862 acres have been mortgaged to non-agriculturists out of which only 2,549 acres are cultivated by them?—Yes.

1959. So including Shahdara, practically the whole land is with the agriculturists?—Yes.

1960. And so far as the object of the Land Alienation Act is concerned which is against the transfer of land to the non-agriculturists, the object has been completely accomplished here?—Yes.

1961. One of the hopes raised by the passing of the Land Alienation Act was that an agriculturist will not borrow more than his resources. Is it not so?—That was not the idea.

1962. If one of the objects of the Land Alienation Act was to restrict borrowing of the agriculturists beyond their capacity, that hope has not been realised?—No extent or limit to the borrowing by agriculturists is mentioned in the Act.

1963. Has that hope been fulfilled since the Land Alienation Act was passed? Why not?—Had the Act not been in force the agriculturist would have borrowed more.

1964. I want to know what the actual facts have been and not what they might have been?—I cannot say about one without the other.

1965. Has the extent of the agriculturists' borrowing become less than what it was before the passing of the Land Alienation Act?—How can I say that?.

1966. Even with the existing restrictions as imposed by the Punjab Land Alienation Act has the agriculturist been able to save himself from the heavy burden of debt?—Yes, to a great extent.

1967. How?—You may draw your own conclusions. I have given you the figures.

1968. You yourself admit that his debt is beyond his income. If the repayment of his debt is beyond his income you cannot say that the Land Alienation Act has saved him from that position?—I might say it has saved the agriculturist to a great extent.

(The examination of the witness was not concluded when the Committee rose for the day. The witness was further examined on the 27th February 1930.)



सत्यमेव जयते

Thursday, the 27th February 1930.

NEW DELHI.

PRESENT.

Khan Bahadur Diwan ABDUL HAMID, C.I.E., O.B.E., (Chairman).

Professor H. L. CHABLANI, M.A.	|	Rai Sahib KANWAR MOTI LAL.
Lala BAL KISHEN.	|	Lala SHRI RAM (Co-opted Member.)

Mr. V. S. MARBALLI, (Secretary).

BAKSHI PINDI DAS, B.A., P.C.S., Revenue Extra Assistant Commissioner, Delhi.

Oral Evidence—concluded.

1969. *Witness*: I would like to explain the point raised by Professor Chablani yesterday as to what should be considered an economic holding in the case of *nahri* land and what in the case of *barani* land. On page 17 of appendices to the last Settlement Report it is clearly stated as follows:—"The produce estimates prepared for the assessment reports show that the cash rate per acre of crops (of owners rent or the Government share) is as a rule almost exactly double on irrigated land of what it is on un-irrigated. For the purposes of these columns therefore the irrigated area crop is multiplied by 2 and added to the un-irrigated area and the total is divided into the demand to obtain the *barani* unit crop *pata*."

1970. *Prof. Chablani*: What I wanted to get at was whether the calculations made in the preparation of statistics in the Settlement Report were correct?—You may draw your own conclusions but I have placed before you facts as they are. My statements are based on the Settlement Officer's report and from other local enquiries.

1971. *Chairman*: Then may we take it that you have verified these figures from your personal enquiries?—Yes.

1972. *Lala Shri Ram*: Mr. Pindi Das, you must be definite in whatever you say. Either you must take the responsibility on yourself for all that you say and the figures that you give us or you must absolve yourself from all personal responsibility?—I am saying everything definitely from my own personal enquiries. I think 12 acres of irrigated (*nahri*) land and 25 acres of unirrigated (*barani*) land would be enough for an economic holding.

1973. *Prof. Chablani*: Have you enquired and found out what the net yield of 12 acres of *nahri* land and 25 acres of *barani* land is?—I have not made any personal enquiries.

1974. So your statement is based on general impressions and not based on definite enquiries or information?—That is based on the Settlement Officer's report.

1975. But then you have given us two sets of figures in your own memorandum. Which of them are we to take as correct?—I have already explained my position.

1976. In answer to question 1 you say "At times *zamindars* mortgage their land to pay off old debts. Ornaments and other such like articles are pawned generally in times of distress when money cannot be had even on the security of land." This means that the security of land is considered less than that of ornaments, is it not?—That only shows that money is more readily available on the security of ornaments.

1977. Which means that the security of land is considered of less importance than that of ornaments?—Yes.

1978. And you agree that anything that weakens that security of the land must be considered to be an evil from the point of view of agriculturists?—I will call it only misfortune.

1979. Why do you call it a misfortune?—If it is misfortune it is one that can be prevented by a change in the public policy of Government. Anything that weakens the security of the agriculturist owner of land and drives him to borrow on ornaments is undesirable?—Yes.

1981. Anything that restricts the market of anything lowers its value?—Yes.

1982. Restricting the market for land under the Land Alienation Act will therefore lower the value of the security of land?—Yes.

1983. Dealing with the condition of the *zamindars* you have detailed their present miserable lot and say that they have no vocation to fall back upon in times of scarcity, cannot resist temptation of taking loans on occasions of marriage, deaths, etc., and have no means to repay the debt except from the produce of their land which can hardly suffice to keep them going. And you add. "He is loath to work as a labourer on works not agricultural, and would rather resort to borrow money than try to find some industry to support him?—Yes.

1984. May I ask whether it is in the public interests or in the interests of the community as a whole that such men of this character should be saved from the consequences of economic pressure?—Certainly they should be freed from distress.

1985. How will you do it?—I think their character should be improved.

1986. Any law that tends to keep them on land or stick to land increases their aversion to work as labourer on work not agricultural?—That depends on education.

1987. Apart from the fact that such legislation increases their disinclination to change their vocation to an industrial pursuit, does it not also encourage tendency to reckless borrowing because whatever be their extravagance their land cannot be touched?—But that is due to illiteracy, and if the causes for the present illiteracy are removed then he will improve.

1988. Which surely does not mean that there should be direct encouragement from the State to him to stick to his present tendencies?—But that is the policy of the Government.

1989. If such a policy is adopted as would, instead of forcing these people to give up these ways, encourage them to persist in these ways that would be an undesirable feature?—I don't say that anybody should encourage these tendencies.

1990. You say that: "*Takavi* is freely resorted to and is freely given". If that is so why should people borrow freely from co-operative societies and *mahajans*?—I think I have already answered that question in my memorandum. *Takavi* is only given for agricultural improvements and not for unproductive purposes such as marriage and other social events and that is the reason why the agriculturists go to other sources for their needs.

1991. You know Government gives *takavi* under the Land Improvement Loans Act and the Agriculturists Loans Act?—Yes.

1992. Then for the purposes for which *Takavi* is given by Government there should be no need for the agriculturist to approach any other agency for his loan requirements?—I agree.

Bakhshi Pindi Das,

1993. Then how is it that the co-operative societies give the bulk of their loans for these very purposes?—I have no information on that. I have not studied that question.

1994. On what is your opinion based when you say that the *takavi* loans are freely borrowed?—Agriculturists are anxious to get loans from Government.

1995. Are the figures given out as *takavi* substantial on the basis of your estimate?—I have given the figures in answer to question 13.

1996. You think, compared to the needs of agriculture for land improvement and agriculturists' loans, the figures you have supplied us are substantial?—I should think so.

1997. You have told us that "In times of drought the Kohi and the Dabar tracts suffer most. The people of the latter circle have no vocation to fall back upon in times of distress" and you say that suspensions of land revenue are made?—Yes.

1998. If the condition of the agriculturist is so bad that in nearly 7 out of 10 years there is drought and revenue has to be suspended don't you think that no facilities of credit however great can possibly prove sufficient for such people?—I agree.

1999. Their problem or distress is mostly due to failure of rains and persistent failure of monsoon?—Yes.

2000. Until these economic conditions are improved there can be no security on which banks can advance money to such people?—The security of land is there.

2001. Can any amount of credit facilities prove a remedy for such a state of affairs?—Borrowing without earning is no remedy.

2002. Then one possible remedy would be to produce such a condition of affairs that will increase the productivity of land?—Yes.

2003. The smaller the holdings are the less the possibility of increasing the productivity of land?—That depends upon circumstances.

2004. I am putting to you a general proposition?—I agree.

2005. One possible way to get out of the difficulty is that the lands might be sold to people who have got capital enough to have a block of land in one place?—Yes, other things being equal, I am in favour of that idea.

2006. And anything that brings capital and brains to be invested on land will increase the productivity of land?—Yes with skilled labour in addition.

2007. My question does not deal with labour at all. Don't you think that skilled labour will be always available when there is no dearth of capital?—Yes, it will be available.

2008. You have suggested that if possible "Government should provide tube wells at their own expense and charge water rate as is done in the case of *nahri* areas". Has an estimate ever been made whether these wells could be extended to the different parts of the Province and what the cost for the Delhi Province would be?—No such estimate has been arrived at. But since the Deputy Commissioner read my memorandum he has started making enquiries into the matter.

2009. You have not yet obtained the opinion of an agricultural expert with regard to the extension of tube wells in this Province?—No, but experts are examining the question now.

2010. So far as mortgages are concerned you are of opinion "that 20 years' rule should be fixed for all whether agriculturists or not. It may have, you say, adverse effect on the security of *barani* lands, but I think

the agriculturists will gain more than what they will lose" Don't you think that by doing this you will be reducing still further the credit of the agriculturist?—I don't think it will reduce his credit to any appreciable extent.

2011. Will you not be depriving the agriculturist of his best customer for these mortgages with possession for more than 20 years, which naturally means that he will get less loan than he wants or gets at present?—These people are not willing to part with their land permanently.

2012. So you want to pull down the agriculturist and non-agriculturist creditors to the same level merely on the ground of justice and welfare of the agriculturist borrower?—Yes.

2013. Which means that the mortgage money will be reduced and the rate of interest will be enhanced?—It may be.

2014. Then would you limit these restrictions to an economic holding or to more than that?—It can be both ways.

2015. But if you wish to consider an individual's welfare along with the welfare of other people then is there any justification for these restrictions on the alienations of holdings which are more than an economic holding?—I should say there is no justification whatever.

2016. *Lala Bal Kishen*: You have given us interesting figures of the land revenue of the area mortgaged with the total land revenue by assessment circles and you have worked out the percentage of mortgage debt with the land revenue of each circle. They vary roughly between 7.5 and 13.5 per cent. What are the reasons for this great difference? Is it due to the character of the mortgagor or different localities?—Ordinary *zamindars* depend entirely on agriculture but in the case of an agriculturist they do manual labour also.

2017. I want to know whether it has anything to do with the credit and the habit of the persons. In some cases it is 7 per cent. while in others it is 13 per cent.?—I quoted these figures just to show whether the amounts of mortgage vary with the classes of people.

2018. Have you any reasons to give for such a variation?—I have made no personal enquiries about that.

2019. May I know what your experience is about recovery of *takavi* loans and suspensions of land revenue? Do you find any difficulty in realising *takavi*?—Sometimes we have failed to recover owing to successive failure of crops.

2020. Otherwise people are honest and pay up their dues without official pressure?—Yes. Periods within which *takavi* should be repaid are fixed at the time of issue of advances. Generally there is not much difficulty in recovering them except in times of distress.

2021. You say: "Social rules can do much in checking unproductive debts, but the most important steps to make the *zamindar* change the present customs and ideas seems to me to be the starting of propaganda work." What sort of propaganda have you in view?—I have suggested that there should be combined effort on the part of both officials and non-officials.

2022. You are not in favour of any social legislation on this matter?—No.

2023. You say that the majority of Mohammadan *zamindars* are more in debt than their Hindu brethren. Is there any special reason for it?—I don't know the reasons for that state of affairs. I have not made any detailed enquiries.

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2024. Your conversation shows that more credit facilities are required in the Muhammadan area?—No; they have got credit facilities and therefore they are more in debt. I think this may be due to their habits. They are not so thrifty as others.

2025. *Chairman*: We shall know more definitely from the result of the enquiry which the gentleman has promised to make.

2026. *L. Bal Kishen*: Has it come to your experience that any big amount was borrowed by the *zamindars* from the Imperial Bank by pledging their ornaments?—I don't know.

2027. Is it well known in rural areas that the Imperial Bank is advancing loans now-a-days on the security of ornaments?—I think that it is not so well known.

2028. Is it your experience that the rate of interest mostly depends upon the security?—As a matter of fact it is a question of supply and demand. If there are more people to ask for loans, the rate of interest will be high.

2029. When you say that the rate of interest is high because it is a question of supply and demand, it means that the supply of capital is less in the rural areas?—Why less in rural areas; you have put a general question and I have answered you in general terms.

2030. When I put the question "does the rate of interest depend upon security", you say "No, it depends upon the question of supply and demand", this means that money is less there?—I did not say that.

2031. If the money is less, then the rate of interest would be high?—I don't follow your question.

2032. Does the rate of interest, which the borrowers have to pay in villages, depend upon the security?—My answer is that it depends upon the question of supply and demand.

2033. If the capital is less, the rate of interest will be high?—Yes.

2034. Therefore in your opinion the capital is less in villages?—Why is capital less in villages.

2035. You have said at one place that if the supply of money is less, the rate will be high. Now it naturally follows that if the capital or the amount to be lent was plentiful in the villages, the rate of interest would be low?—Yes; but I have not said that the rate of interest will be high, while you presume that I have said that the rate of interest will be high.

2036. I don't presume, but it follows from what you say. Don't you think that Rs. 2 per cent. per mensem or 24 per cent. per annum is high?—Yes, it is very high.

2037. Because it is high, therefore you consider that there is dearth of capital in the villages?—I don't think so.

2038. *L. Shri Ram*: Either 24 per cent. per annum is high or it is not?—It is high.

2039. As a reason for this high rate of interest you have given shortage of supply, which means nothing else than shortage of capital?—I quite follow the question. Well, theoretically it comes to that.

2040. *L. Bal Kishen*: We are concerned with actual facts and not with theories?—I have given a theoretical reply.

2041. *Chairman*: If you have not thought over this question, you can say so?—I have not thought over this question.

2043. *L. Bal Kishen*: The rate of interest depends upon security only or not?—It is one of the elements.

2043. Not one of the elements, but the most important element?—Yes, it is.

2044. You have estimated the debt due by the agriculturists at one crore and that is rather high. As debt and credit have great relations, it means that there is too much credit in the villages, because the debt is so high?—I think it is a question of compulsion rather; I mean the agriculturists have been obliged to borrow this debt at high rates during times of scarcity; this debt has not been incurred for investment purposes.

2045. What I want to know is that this high amount of debt of the agriculturists is due to too much credit they enjoy in the villages; there cannot be debt without credit?—In times of distress it is not so easily obtainable.

2046. We are not dealing with times of distress, but we have taken the whole amount just as it at present stands. According to the figures worked out by you it is one crore. This is a very high amount for such a class of people, and this means that there is too much credit in the villages?—I don't think there is too much credit in the villages.

2047. Surely there is too much credit, when people are getting money easily and people advance money without any thought of its repayment?—They advance against the security of crops.

2048. But where is the security if the crops fail?—They depend upon chances.

2049. If anybody gives the loan and the debt is not repaid, what is the value of the security?—There is no value of the security.

2050. Debts can be repaid when they have got money but when they have not got any money how is the debt to be repaid?—They anticipate that the crops will be there.

2051. A shrewd business man will never anticipate things; he goes on facts?—The *banias* advance against crops, but I don't know whether they are shrewd or not.

2052. That is what I say that they are not shrewd and advance loans recklessly?—I am not in a position to answer that question. I have not made any enquiries regarding that.

2053. *Kanwar Motilal*: How do you know that the agriculturists now don't go to the *bania* for purposes of borrowing?—I came to know of it in the course of my enquiries. *Banias* also told me so.

2054. How do the agriculturists who are not members of the co-operative societies, obtain loans?—They obtain loans from the *banias*. I may tell you that in each village the *banias* have got their regular customers, who borrow from them, but the *banias* are not getting new clients now.

2055. I am asking about the credit facilities available to an agriculturist who is not a member of any co-operative society?—In the first place there is not a single agriculturist who may not have been indebted to a *bania*, and secondly, I am quite new to this District and I don't know the local conditions thoroughly.

2056. Supposing an agriculturist is indebted to the Government on account of *takavi* advance, to the co-operative society and to the *bania* respectively, who will have precedence in the matter of recovery according to the rules?—Everybody would try to take the first opportunity.

Bakshī Fīndī Das.

2057. Who is entitled to make the recovery according to the rules laid down by Government?—Government has the precedence.

2058. You mean to say that Government have the right to recover before the other two; then the co-operative society and then the money-lender?—Yes, but nobody prohibits the moneylender from recovering his debt.

2059. If the moneylender ceases to do moneylending in the villages, can the agriculturists carry on without him?—It would be a hard task for them.

(The witness withdrew).

MR. BAHADUR SINGH, Member, District Board, Delhi.

(Free Translation from Urdu)

Repies to the questionnaires.

2060.

Name of the village.	Total area under cultivation.	Canal irrigated area.	Well irrigated land.	Other land.	Mortgage money.
					Rs. A. P.
Nagarpur Kalan .	44 acres	5	..	38	15,086 11 0
" Khurd .	8 "	5	..	3	4,000 0 0
Garhi Bhera .	72 "	40	1	31	11,150 0 0

2061. In villages the rate of interest charged by money-lenders on loans advanced in cash or in kind, ranges between 12 to 18 per cent. per annum. The rate of interest charged by *banias* is between 18 to 24 per cent. per annum. The loans advanced against ornaments also carry this rate of interest. The debt borrowed against the hypothecation of land carries interest at the rate of 9 to 12 per cent. per annum. Both the agriculturist moneylender and the non-agriculturist moneylender settle up accounts every year and recover, at any rate, the amount of interest. In the event of non-recovery the interest is added to the principal. In the case of both kinds of transactions the *ank* process is adopted in calculating interest. To multiply the principal by the period is called the *ank* process. Thereafter interest is calculated on the *anks* according to the agreed rate of interest. This is the correct and proper procedure, and in this way the correct figure is arrived at. In the case of non-agriculturist moneylender the major portion of the debt consists of loans advanced in kind on which rates higher than the market rate are charged. The third party having money dealings in the villages is the co-operative society. Usually it charges interest at the rate of $12\frac{1}{2}$ per cent. per annum. For purposes of the recovery of interest, 0-1-0 per rupee is charged half-yearly. Out of the interest charged 9 per cent. is remitted to the Central Co-operative Bank annually, and the remaining $3\frac{1}{2}$ per cent. is credited to the society every year. As this sum belongs to the society, no member takes any notice of it and consequently no benefit is derived from this amount.

2062. The recovery of debt in kind is considered more profitable both by the agriculturist and the non-agriculturist moneylender. Consequently debts are recovered more in kind, but debts are recovered in cash as well. The non-agriculturist moneylender is often prudent enough to purchase the cattle of the debtors at a lower rate and sell them to other borrowers at a higher than the actual price. The agriculturist moneylender, on the other hand, purchases, only such cattle of the debtors at lower than the actual price, as he considers

useful. Both kinds of moneylenders purchase produce from the debtors at lower than the market rate. The co-operative society realises its debts in cash and the poor agriculturist has to sell his grain, etc., at a cheaper rate, feeling the pinch of necessity.

2063. The present system requires some amendment. The agriculturist moneylenders take undue advantage of the simplicity of the debtor, and contrive to accumulate the debt to such an extent that the debtor is forced to sell his land. The measures adopted by the Government to save the agriculturists' land from the non-agriculturist moneylender should be enforced against the agriculturist money-lender as well. Most of the debts are expended on wasteful purposes, but different entries are made in the account books. When advancing loans, the need and the purpose are not considered, but only the solvency of the borrower. The chief defect in the dealings of the co-operative societies is that the staff fails to advance the loan according to the needs of the borrower at the proper time, and the loan proves harmful to him. These societies are not properly managed and very often loans are advanced irrespective of any need therefor.

2064. 4-5. The land is very seldom sold for the realization of the debt. It is mortgaged, but not sold. However in some cases it is mortgaged for such heavy sums that it practically amounts to a sale. Certain clans of the agriculturists are surely becoming non-occupancy tenants.

2065. 6. In the case of those agricultural clans, who in accordance with their custom and usage sell their lands and then cultivate the land in the capacity of tenants, both the quantity of the produce and the quality of the land is reduced. In order to safeguard against this eventuality it is necessary that both the agriculturist and the non-agriculturist moneylender should be stopped by law from taking undue advantage of their influence.

2066. 7. Personal service is extracted from the borrower by the lender only when the borrower belongs to the labouring class. Such service is not taken in lieu of interest, but separate accounts of the monthly labour and interest are kept.

2067. 9. The provisions of the Usurious Loans Act are very rarely availed of, because in cases when the application of its provisions is of absolute necessity, it is ignored altogether. This enactment can prove useful for declaring heavy rates of interest as invalid, such moneylenders being made liable to severe penalty. Certain selected officers in each *tehsil* should be empowered to bring to light the cases involving heavy amounts of interest, and should report such cases to higher authorities. The higher authorities (dealing with such cases) should be such as are fully acquainted with the circumstances of the *ilagas* from which such cases are sent to them for disposal.

2068. 10. It is absolutely necessary to enact a legislation for the regulation of accounts, especially in the case of non-agriculturist moneylenders. The moneylender should supply details of the whole loan account which have been attested by the signature or thumb mark of the borrower, and he should clearly explain the whole account to the borrower at the time of affixing his thumb mark or signature to the balance struck by him. If the borrower is illiterate or is unable to follow the account, the moneylender should explain the account to some relation of the borrower and make a note in the account book to the effect that he has explained the details of the account to such and such a person. Compulsory education is of absolute necessity, so that every man may be able to understand accounts.

Mr. Bahadur Singh.

2069. 11. There are no *panchayats* registered (under the Co-operative Societies Act). However, private *panchayats* at some places give their awards, which are not effective because they are not always impartial.

2070. 12. Clauses (a), (b) and (c) are seldom kept in view. The finance obtained for all sorts of needs carries a uniform rate of interest and is for a uniform period. The loans advanced by the co-operative society have got different periods of currency but the society cannot meet all the demands of the people and the borrowers are obliged to go to the moneylenders. The co-operative societies have not succeeded to any appreciable extent in advancing loans against the security of land, nor is there any likelihood of it.

2071. *Small cultivator*.—He has got some land of his own and also cultivates some belonging to other people. He is extremely laborious. His wife and children also work in the farms. He spends very little on social ceremonies. He has to pay off a small amount of debt. His food and clothing are quite simple, and he does not indulge in litigation. He is unable to spend anything on education. He also makes some income from the sale of butter and milk and by plying a cart. He also adds to his income by the sale of tame cattle every year.

2072. *Owner-Cultivator*.—He is laborious, but not to the same extent as the small cultivator. He spends more on social functions. He has a large amount of debt outstanding and is practically sold off to the moneylender. He is unable to spend on education, but he spends much on marriages, etc., by contracting debts. He indulges in litigation as well. His food and clothing are comparatively better.

2073. *Owner of 100 acres of land and big landlord*.—He gets most of the farm work from labourers and spends a lot over social ceremonies, marriages, etc. His womanfolk do not work on the farms. In some cases the debt is so enormous that there is no hope of its liquidation. He also incurs a lot of litigation charges. Very often the children are deprived of education on account of child marriages. The offspring are generally weaklings, sickly and in most cases bad characters. They have got several women in their private quarters. They spend a lot over cattle, but do not take any work from them. The average produce of the land is less.

2074. The small cultivator pays to the landowner at the rate of Rs. 20 per acre every year or for the two harvests. He cultivates the land on getting half the *batai* (produce) also; and sometimes on getting two-thirds of the *batai* himself and paying one-third to the owner of the land. Half *batai* means that half of the produce goes to the cultivator and half to the owner of the land; but the produce is less wherever the *batai* system is in force and on an average the owner of the land gets the same quantity, because the cultivator does not give anything to the owner in famine days.

2075. The rate of interest charged to persons of good credit is from 12 to 18 per cent. per annum. The small agriculturists and labourers are charged interest at the rate of 18 to 24 per cent. per annum. Loans are generally advanced for a year or so. No term is however fixed. Generally the loans are advanced without any specific pledge. Those who have lost their credit are advanced loans against the security of ornaments. In such cases the rate of interest charged is from 12 to 18 per cent. per annum. No loan is advanced against the security of standing crops. The moneylender advances the loan having regard to all these points. The rate of interest is not high. The rate of interest charged to loans in cash or in kind is the same.

2076. Clauses (a), (b) and (c) of the latter portion of Question 12.—The Imperial Bank, or the joint stock bank, have not helped the agriculturist financially, to an appreciable extent. Only the Government distributes *takavi* in times of famine nothing more. The local banks also do not work in this direction nor does the trader or business man. Only the co-operative bank, the agriculturist moneylender and non-agriculturist moneylender advance loans, and these are the only three agencies from which loans can be had. No regard is had to the purpose for which the loan is advanced. That is to say, there is a uniform rate of interest and period for all kinds of loans. Ninety per cent. of the money dealings are in the hands of the agriculturist and non-agriculturist moneylenders and only 10 per cent. are in the hands of the co-operative bank.

2077. 13. The agriculturist cannot obtain *takavi* easily nor does he consider it up to his position to obtain such loan. The difficulty in obtaining this kind of loan is due to the fact that it depends upon the recommendation of the Revenue Assistant. This officer has neither the time to attend to this work nor can he fully appreciate the needs of the agriculturists. In order to obtain this kind of loan the agriculturist has frequently to go to the *patwari* and the *tehsildar* and incurs a considerable expense over these visits. The Government does not advance loans sufficient to meet all the needs of the agriculturists under this head. The higher Government officials cannot fully realize all the needs of the agriculturists. The method of recovery is also very bad. The system is very good but the present practice requires good many modifications. The duty of distributing this loan should be entrusted to the agriculturists, and if this work is taken up by the big sensible landlords, it would prove very beneficial to the agriculturists. If the agriculturists are not intelligent enough to work this scheme, it should be entrusted to the co-operative bank and its staff, and the co-operative banks can recover the loan along with its own outstanding debts. This method would save the agriculturists from extravagant habits and they would be able to obtain loans easily, and then they would not consider it beneath their dignity to borrow this kind of loan. The registered *panchayats* are the best agencies to do this sort of business and to benefit the agriculturists in the villages. Such *panchayats* should be established and all such works should be entrusted to them.

2078. 14. It takes a long time to obtain loans from Government as well as from co-operative societies and the loans also are not granted for the amount required. Consequently these loans when granted, are not employed in the right direction and therefore full advantage is not taken thereof. Both the agencies often employ strict measures in making recoveries, and the agriculturists have to borrow from the moneylenders to make payments. They can obtain loans easily from the moneylenders and consequently have to incur less expenses and the ultimate result is that the debt increases in volume. So far, no scheme of advancing loans for productive purposes has been chalked out. Usurious rates of interest and the illegitimate ways employed by moneylenders should be legally put a stop to and the co-operative bank's duties and the Government's work of distribution of *takavi* should be entrusted to registered *panchayats* in villages.

2079. The co-operative societies are not working properly and the agriculturists think it beneath their dignity to become members of the co-operative societies. People of good position and good education do not join these societies.

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2080. 15. So far no satisfactory process of advancing loans for productive purposes has been introduced. There are several ways of obtaining loans, but they are not employed for improving productivity of land. The grants made by the Government in the shape of *takavi* have not helped agriculture to any appreciable extent. The co-operative banks have not worked to any appreciable extent in this direction.

2081. 16. In order to meet all needs of agriculturists, an advance of Rs. 500 on an average per plough would be sufficient. The resultant figure obtained by multiplying Rs. 500 by the number of ploughs in each village should be entrusted to selected registered *panchayats* of the particular village in order to improve agriculture and to meet all the necessary demands of the agriculturists. An advance of Rs. 50,000 would be sufficient for a village containing 100 ploughs. Out of this amount Rs. 40,000 should be advanced for the purchase of land and for the improvement of agriculture for a long term and at a cheap rate of interest, and the remaining Rs. 10,000 would be sufficient to meet all the needs of most of the agriculturists.

2082. 17. Delhi, Najafgarh, Bahadargarh and Narela are the marketing centres.

2083. 18. Generally the small village shopkeepers purchase grain from the agriculturists, when the crop is ready and sell it in the markets at favourable rates. Those agriculturists who bring their produce to the market have to pay something on account of commission, *dharmadu* (charity), watchman, waterman and the sweeper. The banks in this *ilaga* do not take any part in the sale of produce, and the *sahukars* and traders purchase it, and subsequently sell it off at favourable rates. There is unity amongst the traders and they fix up a definite sum to be paid as commission etc. The agriculturists do not get the full price of their goods. The village *bania* sells the goods at a much better price than the agriculturist partly because the *bania* is more clever than the agriculturist and partly because of the unity amongst the traders. This method requires improvement. However the co-operative department staff has proved that at present the agriculturists are not sufficiently educated to think of a new and improved method. Compulsory education should be introduced in order to improve the condition of the people and to save them from loss.

2084. 19. The agriculturist stores the produce in his house, but very often he is obliged to sell it off. At the time of the produce the rate is generally cheap, and the agriculturist knows that after some months the rate would go high, but he is obliged to sell away the produce on account of his personal expenses and to liquidate his debts. The loan is not advanced on the security of the produce in villages. However the village moneylender advances loans in the expectation that the agriculturist will sell off his produce and liquidate his debt. As against Rs. 100 worth of produce the agriculturist can raise a loan of Rs. 75, carrying interest at 9 per cent. per annum. In addition he has to pay the rent of the shop and of the bags as well. Generally the agriculturist is duped by the commission agent and obtains loans against his produce by storing the produce in the latter's shop, but this process does not prove beneficial. The village *bania* and the shopkeeper, taking advantage of this process, obtain finance for purposes of trade. On the other hand, the agriculturist, being illiterate and unaware of such methods cannot derive any advantage.

2085. 20. The present type of agriculturists cannot successfully run licensed warehouses. In order to make such warehouses a success a great deal of experience, unity and ability are required, of which the present day agriculturists are devoid.

2086. **21 and 22.** In order to enable the agriculturist to get full price for his produce in the market, loan at a cheap rate of interest should be advanced to him for a few months in order to meet the necessary expenses. There is no such arrangement in existence at present, and the absence of some such arrangement obliges the agriculturist to sell off his produce, and he cannot obtain the full price of his produce. The agricultural produce sells at very low rates in other countries, because wheat, cotton and rice of the best quality produced here are adulterated by the brokers, and their quality thus reduced. The whole loss is ultimately borne by the agriculturists. During the course of sale transactions in the markets, no documents are executed for purposes of borrowing.

2087. **23.** The co-operative credit societies have not reached such a stage as to be able to take part in the sale transactions in the markets. The unity amongst the shopkeepers and traders in the markets, their financial position; and cleverness, and the narrow-mindedness of the agriculturists, their short-sightedness, poverty and illiteracy stand in the way of the co-operative societies taking any active part in the sale of the produce. The Co-operative Department staff have succeeded in some places only in name: in reality they have not achieved any success and have failed miserably.

2088. **24.** The bills cannot be used in internal trade in rural areas for want of means of communication and the agriculturists cannot take advantage of it at present. The shopkeepers and traders in the markets are using the bills profitably. At present the *zamindars* are not fit to engage in trade, but the Co-operative Bank and the Central Bank can afford sufficient help to the agriculturists in this direction and can successfully do this work.

2089. **25.** There is a great demand for long term credit on the part of the agriculturists of this *ilaga* both in connection with the purchase and improvement of land. A limited mortgage bank is badly required; without it the quality of the land cannot be improved and consequently the proper amount of the produce cannot be had. Long term credit is also required to pay off the old debts, but those *zamindars* who are over head and ears in debt to the moneylenders should be deprived of this concession.

2090. **26.** The loan is obtainable on the security of land, but the rate of interest charged thereon is so high that it is better to sell the land outright to the moneylender. The landowners can obtain money against the security of land the interest whereof is in excess of the amount of land revenue, and consequent borrowing against the security of land does not prove profitable to the agriculturists. The occupancy tenant can also obtain a loan but on a higher rate of interest than that payable by the landowner.

2091. **28.** The average value of *bavani* (rain-irrigated) land is Rs. 500 per acre; the average produce being Rs. 50 worth per acre annually. The average value of the canal irrigated area is Rs. 700 per acre, the average produce being Rs. 100 worth per acre annually. The average value of the well irrigated area is Rs. 700 per acre, the average produce being Rs. 100 worth per acre annually.

2092. The value of land depends largely on the large or small population of the village concerned, of the *ilaga* moneylenders, and the dearthness of grains.

(1) The value of land in government auction is nearly Rs. 200 per acre, by sale in court decree it is also Rs. 200 and in purchase by private negotiation it is Rs. 400 per acre. The cause of difference being that in

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the event of sale by private negotiation the agriculturist goes from place to place in search of a purchaser who can offer better terms, and in the event of auction generally such purchases are not present on the spot, and in many cases are difficult to find.

2093. 29. The non-agriculturist moneylender can neither take the mortgage on the land nor can he purchase it, and therefore the agriculturist moneylender takes the land on mortgage on easy terms. If such privileges are allowed to the non-agriculturist moneylender, the mortgagor would have been able to secure much better and higher terms. In some places where there are only one or two agriculturist moneylenders who are in a position to take the land under mortgage or to purchase it, they dictate their terms and mortgage the land for as low an amount as they choose. Such transactions surely affect adversely the agriculturists' capacity to borrow capital for long periods. The present law requires amendment. At least the privileges enjoyed by the agriculturist moneylenders should also be extended to the non-agriculturist moneylender in mortgage transactions.

2094. 30. There are no mortgage banks in the villages of this *ilaga*. In towns, however, these banks are doing splendid work.

2095. 31. There are limited co-operative mortgage banks in certain districts in this area, which advance loans to agriculturists for a period of 15 or 20 years, at 7 or 8 per cent. per annum against the security of land. In addition to the hypothecation of land, two sureties are also taken, and in the event of non-recovery of the debt, the possession of the land is delivered to the sureties, and the debt is recovered from the latter. Recoveries are made half-yearly. The banks are of limited liability, and obtain capital from the provincial bank and from the Government.

2096. 32. Co-operative mortgage banks should be started. Government should advance money to these banks at 5 per cent. per annum and the latter should lend money to the agriculturists at 6 per cent. per annum for a period of 20 years only for the purchase and improvement of land. Only in special cases loan should be advanced to pay off old debts. The loans should be advanced against the security of land only. Rs. 75 should be advanced against the security of land worth Rs. 100.

2097. 33. The agricultural mortgage banks should issue debentures on the guarantee of government and the latter should try to satisfy the needs of the people. The provincial bank, central bank and the co-operative bank should also help in this venture. The agricultural mortgage banks should be able to raise loans at 5 per cent. per annum and lend out to the agriculturists at 6 per cent. per annum, one per cent. extra being sufficient to meet all the expenses. The major portion of the management of these banks should be entrusted to influential and intelligent men of the villages.

2098. 34. I would suggest the following method for calculating the value of land offered for mortgage:—

The average produce of land per year divided by 2 and multiplied by 15 is equal to the price of the land. The reason for suggesting this method is that half of the average income represent the expenses of production. In the case of *barani* land four years' average income should be taken, because there are famine years as well.

2099. 35. The government should advance capital to these banks through the provincial and central banks having regard to their financial stability; Rs. 75 should be advanced by these banks against the security of land worth Rs. 100. In addition they should have two sureties of good

financial standing, who should be severally liable to pay this amount. Recoveries should be made half yearly, and in default of payment of three consecutive six-monthly instalments, the land should be taken possession of and delivered to the sureties without any further delay. Certain specific responsibilities should be laid on the members of limited mortgage banks. A report in respect of recoveries should be submitted by them to the higher authorities of the district half-yearly.

2100. 37. I can suggest no other measure for the provision of long term credit.

2101. 33 and 39. Handlooms are in vogue in this *ilaga*, and no capital is required for such industries. People also ply carts and such persons (cartmen) require a small capital for a few months. These persons should be financed at a nominal rate of interest, so that they may be able to earn their livelihood in the winter season. The civil officers in charge of *takavi* distribution work can very well manage to advance capital to these persons for a period of six months. However, I would suggest that this distribution duty should be entrusted to selected persons of the villages. Government should supply means for running dairy and poultry farms in the suburbs of towns.

2102. 39. Government should ask co-operative banks to advance capital for dairy and poultry farming, and should also ask the dairy and poultry experts to improve these industries in the hands of agriculturists free of remuneration. The government should supply through the District Boards bullocks and fowls of superior breed. The municipal committee should charge the least possible duty on the import of milk and eggs. The government should ask the Railway Department to give concessions to these dairy farms on the *bhusa* imported through that agency in times of famine.

2103. 40. The question of employment of spare time of the agriculturist is a difficult one, and its solution would remove poverty from the country. The best way of employment of his spare time is to make him prepare such things at his house as he is obliged to purchase from the *bazar*. The most important of all the things that he has to purchase from the *bazar*, is cloth. The village weaver has become useless, as the best mill manufactured cloth is available at cheap rates. People in the villages remain unemployed in the winter and half of the summer season. Either the sewing machines should be imported from other countries or cloth weaving industry amongst the cultivators in villages should be encouraged, and they should supply cloth to, rather than purchase from the towns. Government should help in this enterprise. Every facility should be provided in the matter of digging wells. The cultivation of dearer produce can prove profitable and can also help in uprooting unemployment.

2104. 41. The co-operative banks play the part of moneylenders only, out they do not advance loans at the proper time and according to the actual need.

2105. 42. The Co-operative Central Bank keeps deposits in some other banks and draws upon it in time of need.

2106. 43. The rural co-operative credit societies have got many defects, and therefore they have rendered very little help to the agriculturists. The following are the chief defects:—

- (a) The agriculturists cannot obtain loans at the proper time and according to their needs, because the co-operative staff interferes with the affairs of the societies more than is necessary, and being unaware of the conditions of the agriculturists, stands in their way.

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(b) On account of the ignorance of the agriculturists the co-operative staff is in charge of the whole show and does not leave anything to the agriculturists. The directorates of the societies cannot do any useful work. Agriculturists of good social status do not become members of these societies, because the accounts are open to inspection and no secrecy is observed.

(c) The moneylending business is in the hands of the co-operative staff, which is very bad; neither is the required amount of loan advanced, nor is it recovered fully. It is also disadvantageous to the agriculturist if more or less than what he is in a position to pay is recovered. The co-operative staff cannot do this work efficiently. This is one of the duties of the society, and it can only discharge it satisfactorily provided good and intelligent agriculturists of the village take part in it, and the co-operative staff should go to the village for purposes of audit only. The agriculturists of good social position can take part in this enterprise only in case some secrecy is observed in the matter of accounts and the co-operative staff does not visit the village daily and put them to unnecessary inconvenience by sending for them every day. The co-operative staff should visit the village only twice a year, for checking and auditing the accounts. The granting of loans and all other business should be entrusted to the society. It is only the society who can rightly appreciate the actual needs.

2107. 44. There are no difficulties in the matter of financing in regard to short term capital. Capital is however required for long term credit, and the Provincial Bank is trying to meet this demand. But Government help is badly required in this connection. The Co-operative Bank has succeeded in satisfying the financial demands of the agriculturists only in 2 or 3 per cent. of the cases. If no modifications were made in the present system, the enterprise would prove a failure. There would hardly be an agriculturist who, if he were to cut off all his connections with the moneylenders, would get ample financial help from the society to meet all his needs, because the co-operative society does not deserve to be called a living institution. It advances a loan for the first time, and if the agriculturist fails to pay any six-monthly instalment on account of famine or for any other reason, it stops further financial help, and even members of good status cannot obtain any further loan. Rigorous measures are employed in recovering debts, and the agriculturists have to borrow loans from the moneylenders against the security of land in order to make payment to the society. The agriculturists in their dealings with the societies are more losers than gainers.

2108. 45. The rural co-operative movements are not short of funds; money is lying unemployed in the central banks, and is not utilized for loans. The money is lying idle, and yet the agriculturists have to knock at the door of the moneylender for getting loans.

2109. 46. There is no competition. The Central Bank does not feel the shortage of capital, and the only point to be considered by it is how to employ its capital. This discretion vests in the co-operative staff, who do not realize their responsibility and are causing immense loss both to the agriculturists and the Central Bank.

2110. 47. The financial concessions already enjoyed by the co-operative societies are ample and have proved very beneficial to the movement. The government is spending more than is necessary on the Co-operative

staff, and the work done by them is less as compared to the working capacity of the sanctioned strength.

2111. 48. I have no knowledge of it.

2112. 49. The village potter, sweeper and weaver are in great trouble. There is none amongst them to regulate their affairs. They are all illiterate, but are industrious and honest and wish to repay their debts. The rural co-operative credit societies have not rendered any financial help to them. They are not in a position to run a separate co-operative credit society, nor are they able to manage it. The agriculturists treat them very harshly. Their case deserves the special attention of Government. A separate Department should be established to improve the condition of these working classes, so that they may be able to manufacture articles for the use of the agriculturists as well.

2113. 50. The co-operative credit societies have not so far met the financial requirements of the working classes. The existing societies are unable to meet their needs, and it is dangerous to enlist these classes as members of the existing societies. Therefore the question of how to meet their needs should be put off for the present.

2114. 51. The co-operative credit societies should start intensive cultivation, poultry and dairy farms in the suburbs of towns. Both men and women should work on hand looms during their leisure hours and the co-operative societies should collect the cotton thus prepared and arrange to manufacture cloth from it. Duty on cloth manufactured by the mills should be raised and hand-woven cloth should be free of duty. The professional and other weavers should be provided special facilities.

Oral Evidence.

2115. *Chairman*.—You are a *zamindar* and also a member of the District Board? Yes.

2116. What is *ank* process?—The resultant figure obtained by multiplying the principal with the number of days is called *ank*. Supposing a man uses Rs. 100/- for 4 months. By multiplying 100 by four we get 400 and by further multiplying it with the rate of interest, i.e., Rs. 1/8/- the resultant figure is Rs. 600. So, the figure 6 is called *ank*.

2117. Are the recoveries made mostly in kind or in cash?—The recoveries are made mostly in kind.

2118. Is this process harmful to the agriculturists?—Yes.

2119. How?—Supposing an agriculturist delivers 100 maunds of grain to the *bania*; if the rate prevailing then is $8\frac{1}{2}$ seers per rupee, the *bania* would take only at 8 seers per rupee. Thus the agriculturist suffers a great loss.

2120. You say that the present system requires some amendment and that the Government should adopt some measures to save the agriculturist from the agriculturist moneylender as well. What measures do you suggest? Do you think that the Land Alienation Act should apply to both?—No, it should apply only to the non-agriculturist money-lender as at present.

2121. But you say that the measures adopted by Government to save the agriculturists' land from the non-agriculturist moneylender should be enforced against the agriculturist money-lender as well?—Yes, the agriculturists are generally very simple and the agriculturist money-lender takes advantage of his simplicity and by piling up the debts to an unbearable extent takes the land cheap.

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2122. Is the *panchayat* system in force here?—No, but there are private *panchayats*.

2123. You say that the private *panchayats* do not give their awards according to the merits of the case?—Yes, they are very often influenced by personal motives.

2124. You say that the co-operative banks have not succeeded in granting loans on the security of land to any great extent. Do you think that they now advance on personal security and that they should advance against the security of land also henceforward?—Yes.

2125. For long periods or short periods?—In both cases, because there will be no difficulty in the matter of recovery.

2196. *Prof. Chabiani*: You have given us various rates of interest. I want to ask if the rates which you mention are the rates which are stipulated or the rates which are actually realised?—These are the stipulated rates.

2127. In scarcity years, such as the Province has been passing through, the recovery must be very small?—Very small indeed.

2128. In answer to Question 19 you say that the agriculturist gets Rs. 75 on the security of produce worth Rs. 100 at a rate of interest of only 9 per cent. Don't you consider that as very reasonable?—Yes it is a very reasonable rate of interest.

2129. Having regard to the fact that agriculturists get loans at 9 per cent. to 12 per cent. on the security of land, this advance of Rs. 75 against the security of produce worth Rs. 100 at only 9 per cent. is low?—Yes.

2130. You say in your memorandum that the agriculturist moneylender, on the other hand, purchases only such cattle of the debtors at lower than the actual price as he considers useful. Besides this the agriculturist money-lender can count upon the fact that in the event of non-recovery he would be able to take the land. But in spite of all this, his rate of interest is not lower than that charged by the non-agriculturist money-lender?—No; he charges practically the same rate.

2131. And he advances less than the money-lender on the security of land?—Because he knows that in the event of non-recovery he would be able to secure the landed property.

2132. Taking into account all the trouble, inconvenience and expenses involved in obtaining *takavi* from the Government and loan from the co-operative bank, does the agriculturist find that he pays a less rate of interest to the Government or to the bank than to the *bania*, if he were to borrow from the latter?—Yes, provided the loan is advanced to him at the proper time.

2133. Having regard to all the expenses and trouble?—So far as the rate of interest is concerned, surely the Government and the co-operative bank charge less than the *bania*.

2134. Have you taken into account the actually realised rate of interest which the *bania* gets ultimately?—As regards the rate of interest I think both the Government and the co-operative bank are better than the *bania*, but the only objection is that these two agencies adopt strict measures at the time of recovery.

2135. On the other hand you find that the *bania* very often relinquishes a part of his claim at the time of final settlement and keeping this final relinquishment in view may he not nominally stipulate a higher rate of interest for his advance?—Yes.

2136. So that on one side you find that a lower rate of interest is charged both by the Government and the co-operative bank, but the money is not generally advanced in time of need and is recovered strictly; on the other, the *bania* advances loans in time but he seldom makes full recoveries and relinquishes something at the time of settlement. In these circumstances what complaint have you got against the *bania*?—Even then the *bania's* rate of interest is higher.

2137. *Takavi* loans are recovered in full?—Yes.

2138. What is the percentage of recoveries of the money-lenders?—It all depends upon the produce in a year.

2139. In how many years out of the last ten years has he made full recoveries?—In three or four years.

2140. In how many years out of the last ten years half recoveries were made?—In 6 or 7 years.

2141. In the last ten years how much amount out of the *takavi* advanced was recovered by Government?—I cannot say.

2142. You say that the agriculturist money-lenders are worse than the non-agriculturist money-lenders because they purchase the cattle of the debtor at less than the actual price, while the non-agriculturist money-lenders very often purchase the agriculturists' cattle at a price far higher than the actual price. Does not this mean that such transactions of the non-agriculturist money-lenders reduce the amount of recoveries; and that you should make some allowance for that in estimating his net rate of interest?—They are obliged to take such cattle at such prices, when they find that the recovery otherwise is impossible.

2143. Again you say that the agriculturist money-lenders take undue advantage of the simplicity of the debtor, and contrive to accumulate the debt to such an extent that the debtor is forced to sell his land. This is another point against the agriculturist money-lender?—Yes.

2144. So you want to save the borrowing agriculturist both from the agriculturist money-lender as well as the non-agriculturist money-lender?—Yes.

2145. Do you want to save only such agriculturists as have got land just sufficient to maintain themselves or also others who have more than an economic holding?—Only such agriculturists as have got land just sufficient for their maintenance.

2146. There are good many agriculturists who can conveniently liquidate their debts if they alienate part of their lands?—Yes.

2147. The value of land would increase in proportion if the number of purchasers is larger?—Yes.

2148. Anything that restricts the market for land is therefore against the interests of such persons?—Yes.

2148a. In the case of a mortgage bank the security of land becomes less on account of the restrictions on the alienation of land?—Yes, that is right.

2149. In reply to Question 10 you say that it is absolutely necessary to enact legislation for the regulation of accounts, especially in the case of non-agriculturist money-lenders. Why especially in the case of non-agriculturist money-lenders?—It is necessary in the case of both kinds of money-lenders, agriculturist and non-agriculturist.

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2150. Do you think that this regulation should apply to those persons as well who sell produce on credit and charge interest on the amount due after a time limit or to those only who advance loans in cash; in other words, do you mean to apply it to the retail dealers as well?—Yes.

2151. In that case he may have to keep extra establishment and his expenses will increase?—But you know at present the *banias* manipulate accounts and take undue advantage of the simplicity of the agriculturist.

2152. After all these expenses have to be realised from somewhere and naturally the rate of interest will go high if the *bania's* expense increases?—Yes.

2153. Is a village money-lender usually a big man or a small man in the village?—He is sometimes a big man and sometimes a small man.

2154. Does the average village money-lender pay income-tax?—An average man does not pay income-tax. Only such persons pay income-tax whose income exceeds Rs. 2,000 per annum. The village money-lender is generally an average man in the village.

2155. In reply to Question 18 you say "Generally the small village shopkeepers purchase grain from the agriculturists when the crop is ready and sell it in the market at favourable rates". In the event of their selling the produce to the village money-lender, they don't pay any commission?—No.

2156. Which is more profitable—selling in the market or to the *bania*?—Selling in the market.

2157. What is the difference between the rate of the Najafgarh *mandi* and the village rate?—I can't say definitely.

2158. Is the difference between the two rates reasonable after taking into account the wages of labour that the agriculturist has to pay or lose if he goes to the market to sell his produce?—Yes, it is reasonable.

2159. Further on you say that the *banias* collude together and reduce the rates. Delhi is a big town, here you can't expect such collusion?—That is right, but when the village *bania* brings the produce to the *mandi* in order to make some profit for himself he sells off the produce of the agriculturist, and the latter has not got sufficient intelligence to understand these tactics.

2160. Does the literate agriculturist get the price at the prevailing rate in the *mandi*?—Yes; but mostly the agriculturists are illiterate and they are duped.

2161. At the time of harvests the rates are generally low?—Yes.

2162. Would it be in the interests of the agriculturist if he stored his produce and took advance on the security of the produce in the hope that he would sell it when the prices are more favourable and with the risk of loss due to fluctuation in prices falling on him?—It would not prove beneficial to an ordinary agriculturist.

2163. The cultivator is a small man, and any risk of loss would kill him. Is he in a position to take the risk of loss if he is advanced some money on the security of the produce on the condition that the profit due to the rise in prices will go to him and the loss due to fall of rates will also fall on him?—In such a case it is better for the agriculturist to sell off his produce. Business men can bear such losses, but not the agriculturists.

2164. If Government starts warehouses for the storage of agriculturists' produce and opens new banks to advance money against receipts of such warehouses, that would increase expense, and it would not be in the interests of the agriculturists to bear such expenses?—Yes.

2165. Do you think the profits accruing therefrom would be sufficient to meet the expenses?—The question of expense should not be taken into account where the betterment of the agriculturists is concerned. The expenses should be borne by Government.

2166. You say that the price of the *barani* land is Rs. 500 per acre and the annual produce is worth Rs. 50. Is it the net annual income after deducting land revenue, cost of cultivation and other expenses or the gross annual income?—It is gross income.

2167. What is the net annual income per acre?—I cannot say definitely. Some people keep more cattle than others and naturally their expenses are less.

2168. *L. Shri Ram*: After going through your memorandum I have come to the conclusion that the Land Alienation Act is detrimental to the interests of small agriculturists?—No, it is beneficial to them as well.

2169. You say that the market for his land is limited, and this fact is surely against his interests?—Only that man would give him less price to whom he is indebted; others would be prepared to give him the actual market value.

2170. Further on you say that the *takavi* advances and the loans granted by the societies are not sufficient to meet their needs and you suggest the creation of *panchayats* who should meet their demands at the proper time. But the *panchayats* have no money to advance; they shall have to borrow from the bank?—The *panchayats* should be consulted in the matter of advancing loans. Now supposing an agriculturist has not got the money to purchase a bullock and he wants the money at once. If he gets the money after 15 days, he will not be able to utilise it because the need for the bullock would have been over.

2171. You suggest that loans should be advanced on the security of two sureties. Why should the members of the *panchayat* stand surety?—In order to facilitate recovery.

2172. But members of *panchayats* are not supposed to stand sureties. The money can be recovered without their security even?—In that case the sureties should also be held equally liable, and the money will be easily recoverable.

2173. If the *bania* be asked to advance loans at the same rate as the society does and if he be asked to abide by the same rules, will you extend to him the same concessions in the matter of recovery as are at present enjoyed by the society?—Yes.

2174. The witness who has just now withdrawn, has told us that *takavi* is advanced freely and you say that it is not sufficient to meet the needs of the agriculturists and is not paid at the proper time. Have you any personal experience of the fact that it is not advanced in sufficient amounts or at the proper time?—I have found it like that at the time of distribution of the *takavi* and have also heard like that.

2175. The zamindar sells the produce to the village *bania*, because he wishes to avoid the octroi duty and other inconveniences of the market?—Yes.

Mr. Bahadur Singh.

2176. You suggest that the Government should advance loans at the rate of Rs. 500, per plough. How many ploughs are there in the Delhi Province?—I cannot say.
2177. Can Government advance so much money?—Having regard to the betterment of the agriculturists the Government should advance this amount.
2178. How many days after the cutting of the crop is an agriculturist required to pay the land revenue?—After 15 days or a month.
2179. Supposing the produce is 50 maunds. How much should he sell in order to pay off the land revenue?—About 10 maunds.
2180. In answer to Question 32 you say that "the Government should advance money to these banks at 5 per cent. per annum and the latter should lend money to the agriculturists at 6 per cent per annum for a period of 20 years only". Do you know that now-a-days Government is borrowing at the rate of 6 per cent. or $6\frac{1}{2}$ per cent.?—I don't know.
2181. Do you know that the annual expenses of a co-operative bank amount to $4\frac{1}{2}$ per cent.?—No.
2182. If we take both these items of $6\frac{1}{2}$ per cent. and $4\frac{1}{2}$ per cent. into account, then the Government cannot advance loans to agriculturists at less than 12 or 13 per cent.?—I don't know that.
2183. In reply to Questions 38 and 39 you suggest that cartmen should be supplied with finance at nominal rates; how will the Government advance *takavi* to these men?—(No reply).
2184. It appears from your reply to question 40 that you are in favour of Swedeshi, but do you know that even the Indian mills cannot compete with Japan goods that come in the market. Would you favour the sale of Japan goods in the Indian markets?—I simply suggested that the weavers should make cloth which should be used in the villages.
2185. You say that every facility should be provided in the matter of digging wells. What facilities do you want?—(No reply).
2186. *L. Bal Kishen*: Which village do you belong to?—I belong to Nangloi village.
2187. Is there any co-operative society there?—Yes.
2188. Which class does it belong to?—It is of an average class.
2189. There are four classes, A, B, C, and D. To which class does it belong?—It does not belong to a good class.
2190. For how long is it working there?—For the last four or five years.
2191. Have you any experience of any good society?—No.
2192. You have not got any experience of a good society which may be working satisfactorily?—The one in the neighbouring village is doing very well.
2193. Do they advance loans at the proper time?—Yes.
2194. Why is your society not working satisfactorily?—The members of the society are undesirable persons.
2195. Then the fault lies with the members and not with the system?—Yes.
2196. Why did you not become a member of the society?—On account of certain personal differences.

2197. Are the agriculturists heavily in debt?—Yes.

2198. How is that?—On account of wasteful habits and famine years.

2199. If a check be put on their wasteful habits, would it decrease?—Yes.

2200. If they had repaid always in time it would not have increased?—It increased because of the failure of crops too.

2201. If the agriculturist does not pay at the time of the produce, strict measures should be adopted for recovery?—Yes.

2202. In reply to Question 13 you say that “the agriculturist cannot obtain *takavi* easily nor does he consider it up to his position to obtain such loan” and then further on you say that “the duty of distributing this loan should be entrusted to the co-operative bank”. You mean to say that the co-operative society should distribute *takavi* loans and should make recoveries along with its own money?—If they can do it, so much the better, otherwise this work should be entrusted to the village *panchayats*.

2203. Should the Government advance loans to the *panchayat* or to the individual?—The Revenue Extra Assistant Commissioner should advance loans on the recommendations of the *panchayat*.

(The witness withdrew).



सत्यमेव जयते

Mr. Bahadur Singh.

Friday, the 28th February 1930.

NEW DELHI.

PRESENT.

Khan Bahadur Diwan ABDUL HAMID, C.I.E., O.B.E. (*Chairman*).

Professor H. L. CHABLANI, M.A.

Lala BAL KISHEN.

Mr. V. F. GRAY, M.L.C.

Rai Sahib Kanwar MOTI LAL.

Lala SHRI RAM (*Co-opted member*)

Mr. V. S. MARBALLI (*Secretary*).

**Mr. Adishwar Lal, Treasurer of the Central Bank, Limited
Delhi.**

(Mr. Adishwar Lal was examined on the notes of Prof. Chablani's interviews with him which have been printed at pages 235-243.)

Oral Evidence.

2204. *Kanwar Motilal*: In these days do the joint stock banks finance the Indian Industries sufficiently?—They don't help at all.

2205. What measures do you suggest in this respect?—I am not very clear on this point.

2206. Will the indigenous bankers favour the suggestion that their accounts should be audited by chartered accountants?—They require protection against the Insolvency Act and certain privileges in the realisation of their debts, and if the Government is prepared to give them such privileges, they will have no objection to their accounts being audited by chartered accountants.

2207. *Prof. Chablani*: Provided the concessions or privileges are adequate to compensate them for the cost?—Adequate and fascinating enough to compensate them for the trouble and expense.

2208. *Kanwar Motilal*: What monetary help does the Imperial Bank get from the Government and Municipalities?—This question had better be answered by the Agent of the Imperial Bank. Everybody knows that the Imperial Bank is getting Government funds free of interest. I have no particular information on the point.

2209. Do the other joint stock banks enjoy these facilities?—No.

2210. Are there sufficient facilities provided in schools and colleges for training in banking?—Very little.

2211. What is the percentage of the produce brought to the *mandis* by the agriculturists and by the *sahukars*?—Practically speaking, Delhi is not a *mandi*.

2212. *Prof. Chablani*: He has got experience of only Hapur *mandi*.

2213. *Kanwar Motilal*: Can the indigenous bankers live on banking only?—Yes, they can. Fifteen years ago there used to be many firms doing banking only.

2214. *Prof. Chablani*: Will it be profitable under the existing conditions to do only banking?—I don't think so. They cannot live only

on banking under the existing conditions. When the Insolvency Act is daily abused and new harmful legislations like Money-lenders' Registration Bill is coming in force.

2215. *Kanwar Motilal*: What is the ratio of the *mudati hundis* used at the present day to the former times?—It is about 1/3rd.

2216. Does any amount of money remain unemployed with the indigenous bankers?—To some extent.

2217. What was the rate of interest ten years ago?—I cannot tell you the rate of interest prevailing ten years ago. I may quote from some books, but from my personal knowledge I cannot say. Mr. Chablani has got a book called "Indigenous Banking" which contains 100 years' table of interest. About Delhi I cannot quote the rate of interest as Delhi is an urban area.

2218. Do the indigenous bankers advance loans to the agriculturists?—They don't.

2219. What measures do you suggest for the improvement of the condition of the indigenous bankers?—I would suggest co-ordination of indigenous bankers and legal protection, because recovery of debts is a problem for them, I have come across many cases of small amounts which have been lingering on for years and years. Moreover on this side of the country there is no money market and if a money market is established, that would also facilitate indigenous banking very much.

2220. Any more facilities?—Excepting co-ordination and legal protection and recognition of them on equal terms with joint stock banks with equal facilities from Imperial Bank. I cannot suggest anything more because they don't have the sympathies of the court nor have they any protection in law and the presiding Judge always sides with the borrower.

2221. After excluding legal charges what rate of interest does the *bania* actually realise?—I think he does not get more than 6 per cent.

2222. Formerly people used to carry cash with them by rail. Now I understand they can't carry more than Rs. 3,200. Has it not affected adversely indigenous banking?—It has very seriously affected the remittance by rail which is very hard for the bankers. But we buy tickets.

2223. But they have stopped the free carriage of cash?—Yes, to the great embarrassment of the bankers as they used to remit during grain season to *mandis*.

2224. And consequently the indigenous bankers have been put to loss —
—Certainly.

2225. *L. Shri Ram*: What is the difference in your opinion between an indigenous banker and a money lender?—There is a very evident difference. Indigenous bankers receive deposits. That is the straight definition of it: while in the case of money-lenders there is no question of receiving deposits. The definition of indigenous banker is that he discounts *hundis* and receives deposits, while there is no question of receiving deposits with the money-lender.

2226. *Prof. Chablani*: Or even discounting *hundis*?—Yes.

2227. *L. Shri Ram*: How many firms do indigenous banking here?—None at present.

2228. In your memorandum in reply to Question 55 you say that these have died out. Why is that so; what do you attribute that to?—Firstly to the rise in the value of property after the Coronation Durbar and then after the War, and secondly Delhi has now become

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a cosmopolitan town and new avenues of business and activities have been created.

2229. Am I to understand from your reply that investment in property and the new avenues which you mention were more paying than investing money?—Not more paying, but safer than banking.

2230. Banking became less safe?—It became unsafe and unstable and because of the opening of branches of many new banks, such as the Tata Industrial Bank, the Mercantile Bank, etc., thus creating keen competition.

2231. The opening of branches by other banks is certainly no reason why this business should become unstable?—Because of the severe competition.

2232. How would it become unsafe if a person is safe to advance money to?—My point is that after the War the condition of the money market, as you know, became very unstable and every man and every bank became unsafe.

2233. *Prof. Chabiani*: Why?—Because of the losses incurred by the traders on account of the exchange.

2234. *L. Shri Ram*: Then the opening of the branches by the banks has really nothing to do with it?—That created a sort of keen competition as I have already stated.

2235. Which made it less paying, but the real trouble, you suggest, came on account of the depression after the war and exchange later on?—Exactly.

2236. You don't mean to suggest that the few banks that are in Delhi are enough for the needs of a big city like Delhi?—In helping trade and industries, or as deposit receiving agencies?

2237. A bank has so many functions to do; it not only helps trade and industry, but even the middle classes and poor classes, and everybody from top down to bottom. Do you think that a few branches of these joint stock banks and one or two central co-operative banks are sufficient for a huge city like Delhi, or there ought to be many more?—From my personal knowledge I can say that the banks are having no business.

2238. Is it because they don't want to advance to every sort of borrower and they limit their business to a few only?—You know very well that Delhi is a cloth *mandi*.

2239. But it is also a place where hundreds and thousands of middle class people are living?—But the middle class people cannot afford to give any sort of security acceptable to the banks; therefore, they are out of question.

2240. Everybody up to a cobbler requires banking facilities?—But the cobbler would not come to the bank either for deposit or for loan.

2241. I don't mean the joint stock banks only but an indigenous banker or a co-operative bank or a joint stock bank or any other credit supplying agency?—You should not mix up the joint stock banks and the indigenous bankers. They are two different branches of banking.

2242. Are the banking facilities in Delhi enough for its requirements?—I don't think so.

2243. On the whole do you consider that there are banking facilities enough to meet the requirements of everybody?—I am not very clear on this point, because this is a very wide question.

2244. You have suggested in so many places that there ought to be mortgage banks and co-operative banks, etc. You suggest thereby that the present banking facilities are not enough?—For a certain class of people.

2245. And you mean that for a certain other class of people there are ample banking facilities; which is that class?—I think first class traders and people of high status.

2246. Do you think there are enough facilities for the industrial concerns to borrow?—I think so.

2247. Have you any experience as to which of the industries in Delhi are financed by any of the banks, joint stock, exchange or Imperial and to what extent?—I think they have not so far helped any industry, nor the industrialists ever approached such banks.

2248. I don't think you could say that, because you are not concerned with any industry?—That is a generalisation.

2249. Am I to understand that the present joint stock banks, exchange banks and the Imperial Bank do not meet the requirements of the industries?—You mean if they are approached? Even then the banks will not undertake to help the industries.

2250. What is your experience?—My experience is just the reverse of yours. I know it for certain that there is very great reluctance on the part of these banks to help industries. I am not very clear on this point.

2251. *Chairman*: You have no personal knowledge?—Exactly, except that of my own bank, i.e., Central Bank.

2252. *L. Shri Ram*: You say something about these housing societies. Will you explain what your ideas are?—They at present exist in Karachi and Bombay on the hire purchase system.

2253. Have you worked it out?—No, I have not.

2254. Do you think a system of this kind in Delhi would be workable?—Certainly.

2255. May I tell you from my information that the Government has given the Delhi Municipality five lakhs of rupees to build quarters for poor people and the Delhi Municipality finds that in spite of the free grant of five lakhs of rupees it will be very difficult for them to realise even 6 per cent interest on the outlay that they will have to spend?—Six per cent. for the Municipality to expect is a high rate of interest at the present moment to charge the poor classes.

2256. The Government itself is borrowing at 6½ per cent.; that is one thing; the other thing is that Rs. 5,00,000 is absolutely a free grant on which no interest is taken; so that if we don't calculate any interest on the Rs. 5,00,000 that the Government has given to the Delhi Municipality as a free grant but only on the amount that it will spend on the building of houses, even that will not fetch enough rent to cover 6 per cent. on the cost of building alone?—6 per cent. interest for the Municipality from the poor classes is rather exorbitant to expect.

2257. What do you think will not be exorbitant?—I think 4 per cent.

2258. After all somebody will have to find that money then; the tax-payers will have to find the money for the Municipality?—Yes, but that will touch the pocket of the well-to-do people and not of the middle classes.

2259. Supposing a piece of land is bought and a house is built on it and somebody in the course of time, say 20 years wants to become the proprietor of that house; have you any idea what rate of interest

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he will have to pay on the initial cost if he wants to become the proprietor of the house?—I have not calculated that.

2260. Then this is a pious hope?—Exactly.

2261. In one place you have mentioned the rates of interest, as 12 per cent., 24 per cent. and 18 per cent. Have you any experience as to what the really realised rate is?—The realised rate is not more than 6 or 7 per cent. in some rare cases.

2262. In your memorandum you say that the condition of the *artias* is becoming very bad and the present position is one of great difficulty for the *artias*. What do you attribute that to?—The general depression of the trade.

2263. What do you attribute the general depression to?—Well, I am not very clear on the point. There are so many heterogeneous elements.

2264. I want to know the remedy?—I have suggested a liberal help from the co-operative banks in the rural areas to the village cloth merchants and dealers, because only they have got their branches there and do all the rural work.

2265. *L. Bal Kishen*: Mr. Adishwar Lal, you are not right there. There are no branches of co-operative societies; they are all independent of each other.

2266. *L. Shri Ram*: Your sole reason for suggesting these banks is that they exist there?—Exactly.

2267. You say in your memorandum that comparing the expenses of a good indigenous banker with those of a branch of a joint stock bank, you believe the expenses involved in the establishment of an office of an indigenous banker are not even 1/10th of those of a branch of a joint stock bank. What difference to your mind is there between a joint stock bank and a proper indigenous bank?—Will you kindly let me know the force of the word "proper", because this word is ambiguous; you mean by it the modern and old style of banking.

2268. You realise that there is a paucity of banking facilities and you mean to suggest that the cost of running a joint stock bank is 10 times as much as running an indigenous bank. Supposing some sort of

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confidence. The client knows that whenever he likes he can see the accounts of his banker.

2273. So you would ask for these indigenous bankers the same facilities as are enjoyed by the joint stock banks without their balance sheets being published or their accounts being audited?—I do not object to the auditing of their accounts or the publication of their balance sheets.

2274. Don't you think that that would add to their credit; the clientele would be still more satisfied?—Certainly.

2275. And you would like the Imperial Bank not to do any lending business except to the bankers, indigenous and joint stock?—Imperial Bank, to my mind, should be the bankers' bank.

2276. No bank can stand the competition of the Imperial Bank?—Certainly; they have just now begun the work of pawn-brokers by lending money against ornaments.

2277. You suggested just now that in certain places where the Imperial Bank has not got its branches, the indigenous bankers should be made their agents. Now supposing in a place there are 20 very good indigenous banking firms; don't you think it would be unfair to make one of them an agent of the Imperial Bank?—Not unfair, because that will facilitate banking in that area.

2278. In that case you will stop this person from doing any business of his own except as a bank's agent, and then he will be in the pay of the Imperial Bank?—Not in the pay of the Imperial Bank.

2279. What remuneration would you give him to work as agent of the Imperial Bank?—He may be given some sort of commission.

2280. You will debar him from competing with the indigenous bankers?—That I don't mean.

2281. Probably you agree that the Imperial Bank should not be allowed to compete with the joint stock banks or the indigenous bankers?—Yes.

2282. If you don't allow the Imperial Bank to compete, you would not allow its agent to compete with the indigenous bankers?—I say where there is lack of banking facilities, there this system should be adopted. I don't say that where there are ample facilities, they should give agencies and compete with the indigenous bankers or the joint stock banks.

2283. Can you think of any place where the indigenous bankers did not exist or could not again flourish?—I think there is no place in the whole country where they do not exist or they cannot flourish.

2284. What steps should be taken so that the question of the agency of the Imperial Bank will not arise?—I would suggest the system of licensed agents, and their co-ordination also, because at present we do not know of any money market in Delhi or in the neighbouring centres of trade and legal protection as I have already stated.

2285. *Mr. V. F. Gray*: You say that there is urgent need for banking facilities especially for the middle class people who generally have not got such improvident habits as the mill hands. Do you consider that the borrowers have sufficient security to offer?—One who has got landed property cannot get any credit anywhere, I think.

2286. Is that not because of the Land Alienation Act?—That is because of the lack of legal protection for them, because every case of mortgage takes about 6 or 7 years to decide.

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2287. And because agricultural land is offered as security?—I am concerned only with the urban conditions.

2288. Then do not the small possibilities of recovery on a mortgage make the banks reluctant to lend; and if you have increased banking facilities would they not still be reluctant to advance on the security of land?—I have suggested an institution just on the lines of Credit Foncier de France or like German Mortgage Bank.

2289. The Credit Foncier's main work surely is the issue of prize bonds and that is purely a gamble?—That is a matter of opinion. If that is gamble, that is certified by the Government.

2290. By the French Government. By that system you don't pay interest to each individual, but you pay it in prizes?—That is a method of working and attracting people to it.

2291. In that way some people don't get anything for years, but they may get a fortune any minute?—I may explain the system. In France Credit Foncier de France provides long term credit. It is a private company founded in 1852, but under sufficient State control. The Government has given a subsidy of 10 million gold francs since it came into existence. Like other mortgage banks it advances on the security of mortgages and obtains the necessary funds from the issue of bonds. The Governor and two Assistant Governors are appointed by the State. To make Foncier bonds attractive the bank is permitted with the previous sanction of the Finance Member to issue lottery or prize bonds.

2292. Yes, I know, you invest Rs. 100 and instead of getting Rs. 5 a year you get nothing, but 20 people will get a lakh every year. The whole of the interest is paid on prizes for say 20 people. It is not unlike the Calcutta Sweep except that the capital is not lost. That is hardly an investment but surely a means of inducing people to gamble?—Not exactly, but that is a way to popularize a thing also. We look from different angles of vision altogether.

2293. There are two parts of this scheme; first the attracting of money as already explained and secondly purely mortgage bank work. You wish for the introduction of a bank of that sort?—If such an institution is introduced, I think there will be no difficulties in consolidating the loans.

2294. Is it not impossible to amend the mortgage law and make it easy?—Might be; that concerns the lawyers.

2295. How would you arrange loans on other forms of security?—You mean liquid securities or ornaments.

2296. I want to know if it is possible to get loans if one is able to give definite assurance to repay at the time when one promises to repay?—Promises would not do. I think the banks would be willing to help if they offer legal security.

2297. What I want to know is, is there no lack of facilities for borrowing today if the borrower has reasonable security to offer?—There are ample funds.

2298. You think there are ample funds for their demands, but in another place you have said that people do not offer any form of security acceptable and therefore they cannot get it. Yes, so I now say. Will increasing banking facilities allow people to get money without offering any security; what sort of business will these banks have if they have to give unsecured loans?—I think nobody would like to advance insecure loans.

2299. You were saying that more banking facilities were required. Are they required for lending or for deposits?—For lending. Everybody can receive and have deposits. There is no question of deposits.

2300. You have said that there are a number of banks in Delhi to-day who cannot live because there is not enough business, and yet you, on the other hand, say that a lot of more banking facilities are required. What do you mean?—Banking facilities are required for people who cannot afford to give liquid security.

2301. What sort of balance sheet will such a bank present, which is going to lend to people who have not got liquid securities?—The bank would not lend to such people.

2302. But you want them to lend?—No.

2303. For what purposes then do you require more banking facilities?—For the people who have not got liquid securities.

2304. Then you consider that the mortgage bank is the only extra banking facility that India requires to-day?—Exactly. Delhi requires that. I do not say for India.

2305. In answer to Question 67 you say “There are ample facilities for internal remittance available in the market by way of *hundis* on the various centres”. What do you consider should be the rate at which the money should be remitted?—I cannot suggest the rates.

2306. Do you consider that the rates charged to the various joint stock banks are correct ones?—I think so.

2307. Cannot the Imperial Bank, who has the free use of Government money, transfer the money from one treasury to another free of charge?—Yes, but I think they will have to incur certain expenses in that regard as well.

2308. Against the expenses they get money free of interest. You see, in England you give a cheque in Scotland, say Edinburgh, for payment against your account in a London Bank. You are charged one or two pence for postage, but no charge for remitting the money?—I think they should introduce the same system here.

2309. A good deal of the transfer of money in India among the smaller people, as well as the big people, is by way of sending notes in halves by insured post in order to avoid paying the remittance charges. Would not the remittance business increase immensely if the remittance charges were reduced nearer to the postal charges?—Undoubtedly.

2310. In answer to Question 74 you say “the indigenous banking community would be very reluctant to accept such a measure” as, for instance, the publishing of balance sheet?—Without having any privileges attached to it.

2311. If an indigenous banker wants to borrow or work either with the joint stock bank or the Imperial Bank, would not such banks have far more confidence in accepting business from the indigenous bankers if they have a balance sheet to show?—I doubt very much.

2312. But you may see from the balance sheet that the person is perfectly sound; without a balance sheet there may be doubt, and one cannot be sure of the position of a party without seeing the balance sheet; would that not create more confidence?—I doubt whether the issue of a balance sheet would bring the confidence automatically.

2313. You cannot expect a Governor of the Imperial Bank to give facilities of debt to a banker unless he sees and is satisfied with his balance sheet; why should he do it; he is risking other peoples' money,

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without knowing whether there are any assets behind him or not?—But there are methods of hiding of accounts. You see there are black sheep everywhere, and some are so unscrupulous as to hide their accounts for income tax purposes.

2314. *L. Shri Rām*: If you want *purdah* to go, you should also want this *purdah* to go?—Unless some privilege is attached to it as with *purdah*.

2315. *Mr. V. F. Gray*: You are complaining that joint stock banks have privileges while the indigenous bankers have not. The joint stock banks publish their audited balance sheets, while the indigenous bankers do not.

2316. *L. Shri Rām*: Don't you personally think it better that their accounts should be audited and their balance sheets published?—I very much like the idea, but I was simply expressing their point of view.

2317. *Mr. V. F. Gray*: In answer to Question 77 you object to the competition of the Imperial Bank and the Exchange banks as they get cheap money. You are looking at it from the point of view of a banker and not from the point of view of the public?—Yes, one sees at times from different angles of vision.

2318. Surely it is a good thing for India that the exchange banks get cheap money and lend at a cheap rate to the Indian public. It may be difficult for the Indian banks to compete with them in this respect, but it is good for the Indian public?—Yes, but it is available for few who have to do foreign trade.

2319. In answer to Question 84 you say that there is only one indigenous banker who allows cheques to be drawn on him?—They have also stopped it now.

2320. Would it be of any advantage to the country if banks can see their way to accepting cheques in the vernacular?—I don't think because in India there are so many languages in different provinces that if a vernacular script is used, it will be very difficult for the joint stock banks who have branches all over India to scrutinise them properly.

2321. You think it impracticable?—I think so.

2322. Is it possible to extend banking into rural areas without vernacular cheques; very few people in the villages know how to read anything at all, not to speak of English. Would it not be possible if it is restricted to the well-known Urdu?—But that would not be practicable in the Punjab where the commonly spoken language is Gurmukhi.

2323. Then would it not be possible to use the common vernacular of each district only in that district?—You mean the rural areas; I am not following this. I am sorry.

2324. Our idea is to make banking more popular among all classes of society?—I agree.

2325. To achieve that end don't you think that we should allow accounts and cheques to be in the vernacular?—To my mind only people with some amount of knowledge of English come in contact with banks. If you provincialise banking system in this country and allow cheques to be drawn in the vernacular of the respective provinces, e.g., Gurmukhi for the Punjab, Bengali for Bengal, Marathi for the Central Provinces and so on then there will be no trouble in that case but if the idea is to have a system of all-India banking then I don't think it desirable to allow cheques to be drawn in vernacular

because as a Treasurer of the Central Bank of India I will find it difficult to deal with a cheque drawn in Multani for example.

2326. I agree there is a certain amount of difficulty about it, but can't you get over it by having these cheques translated before they are negotiated?—That will entail delay of a couple of days and incidental loss of interest.

2327. But the ordinary drawee of cheques would not mind that. As a matter of fact we are now really dealing with people who really do not even know what interest means in any detail?—I agree.

2328. So then you agree that vernacular scripts can despite difficulties be adopted and that it is desirable that efforts should be made to adopt that system universally in India?—Yes, it could be done if the other banking facilities are extended and the banking system is provincialised.

2329. You suggest that indigenous bankers should be made agents of the Imperial Bank wherever the Imperial Bank have not got their branches and you ask that these people should act only as agents and not as servants of the Bank. What privileges will you give to these agents in return for their work on behalf of the Imperial Bank?—These agents will have ample funds at their disposal which will help them.

2330. What are the privileges that you think they will enjoy?—They will have the privileges of enjoying cheap money. For this they remit cheaply.

2331. Where will they get their money from and how will they remit this money in turn back to the Imperial Bank of India?—Through the ordinary facilities of transport, by rail, post or by carts.

2332. Facilities of transport of money will not be any better than they are to-day?—Money can be sent in motor cars then.

2333. You have not thought over the difficulties of transport, have you?—I have thought over the difficulties of remitting money but I have not thought over the cost.

2334. Even to-day without being an agent of the Imperial Bank he can receive money in a village to be paid in Delhi, and remit by bullock cart, can't he?—I don't mean remittance facilities. I don't really understand what you are driving at. What I say is that he will have ample funds at his disposal for him to deal with.

2335. Who will be responsible for these advances?—The Imperial Bank of India and the agent jointly.

2336. Supposing the agent absconds, do you mean to say that the Imperial Bank of India should loose its money?—Certainly, that will come to that.

2337. *L. Bal Kishen*: Dealing with the condition of the middle class public servants and middle class traders, in answers to questions 48, 50 and 51, you say that "an overwhelming majority of them have parted with their houses during the last 20 years or so, . . .". Further on you say: "They have no banking facilities at all and their standard of living as compared to their incomes is too high to permit them to save anything substantial". For such classes of people you recommend co-operative banks, don't you?—I don't recommend that, but co-operative banks would be welcome for them.

2338. Have you any clear idea about the working of these banks?—I have none and I have not studied the system of co-operative banking.

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2339. But still you say "the most suitable form of banks for this class would undoubtedly be urban co-operative banks"?—These are not my answers to the questionnaire but are only notes of interviews which Professor Chabiani had with me. There is a good deal of difference between a statement expressed by oneself and a statement made in an interview. That is how I view it.

2340. But in any case you have expressed certain views, you adhere to what you said?—Yes.

2341. Don't you think that co-operative banks are business concerns?—Yes.

2342. Then how do you think they will be able to help such people who, according to you, lead an extravagant life and who have no security to offer?—I don't mean they are leading extravagant lives.

2343. *Chairman*: You mean people who live beyond their means?—Yes, they have to.

2344. *L. Bal Kishen*: As a banker you won't touch them whose expenditure is beyond their income?—No. Without adequate security for the money.

2345. Then how do you expect the co-operative banks to help them?—It is difficult to suggest. It is for the co-operative experts to devise ways and means.

2346. In reply to Lala Shri Ram's question you said that co-operative housing societies for middle class people would not work properly if the rate of interest is exorbitant?—My view is that they cannot work if interest rate is more than 4 per cent., but it was in the case of the Delhi Municipality with free funds.

2347. Have you any idea at what rate of interest money will be available to be given to co-operative housing societies to enable these societies to grant long term loans for housing purposes?—You mean from the public or the Government?

2348. From anywhere you can think of. You may tell us about both possibilities?—I cannot say. I am not clear on that point and the question is wide and vague.

2349. *Professor Chabiani*: You spoke about advancing funds to industries in reply to Lala Shri Ram's question. To your knowledge has any joint stock bank or exchange bank or the Imperial Bank of India ever helped any major industry in this city with finance?—I can't speak about other banks. I know only about the Central Bank of India.

2350. To your knowledge the Central Bank of India has not advanced any substantial amount to any local industry in the Delhi city?—No, but they are financing industries outside Delhi.

2351. Would such financial advances to industry be for short or long periods?—Such advances would be only seasonal.

2352. No commercial bank can afford to lock up its funds for any period?—They cannot do so.

2353. Dealing with the special needs of the middle class people in the city of Delhi you say that neither the Municipality nor the Co-operative Department has done anything to tackle the housing problem. Do you consider the prevailing rents for houses in the Delhi city too high?—Certainly they are exorbitant.

2354. Are they higher than the legitimate or fair interest which the capital sunk by the owner should bring him?—They are much more than that.

2355. So the rentals, you consider, are very much higher than the fair charge which the capital sunk in the business would bear?—Yes.

2356. May I know what you consider as a fair charge?—6 per cent may be considered a fair charge.

2357. At what percentage on the capital sunk would you put the rentals actually recovered?—It will be about 9 or 10 per annum.

2358. To your knowledge are there many landlords who are getting 9 per cent. or more than 9 per cent. on capital sunk in houses in certain localities of the city?—Yes there are many.

2359. If then money could be had in the market for long periods at say $6\frac{1}{2}$ or 7 per cent per annum and if a man could actually get that money and build a house instead of paying rent, he would be effecting a saving of $2\frac{1}{2}$ or 3 per cent.?—Yes, and if land could be made available.

2360. Given suitable conditions regarding land, so far as mere capital is concerned there will not be any difficulty in borrowing money at $6\frac{1}{2}$ per cent. or 7 per cent. and thus effecting a saving of $2\frac{1}{2}$ per cent. or 3 per cent. in rentals?—That is so.

2361. Your suggestions regarding the housing problem are restricted to housing for the middle classes rather than the poorer classes?—Yes.

2362. In regard to your suggestion of making indigenous bankers agents of the Imperial Bank you say "I believe it is very desirable to make the indigenous bankers agents of joint stock banks or the Imperial Bank of India in places where the branches of the joint stock banks do not exist". Under this system will the Imperial Bank have some guarantee from its agent to enable the Bank to fall back upon it in case the man becomes unreliable?—Yes, certainly.

2363. And so far as the privileges are concerned would you have a graded system or would you have a uniform rate?—It is better to have a uniform system rather than a graded one.

2363a. But if the guarantee is of all grades, the privileges too must be graded, otherwise the bank will incur too much risks?—Yes, that is so.

2364. In the case of middle class people who have no securities to offer you suggested the co-operative banks. Do you think that the security or credit of the middle class people absolutely worthless or that by co-operation their security could be improved?—I don't say they are absolutely worthless and I agree that by co-operation their credit would be worth more.

2365. Will the security offered by them be increased if there is joint liability instead of individual liability?—Yes.

2366. Regarding the question of account keeping you expressed yourself in favour of a better system under which accounts would be subject to audit. Don't you think that auditing means some charges, fees of a qualified auditor and so on?—Yes, certainly.

2367. It will also mean a certain amount of establishment charges because they will have to publish their balance sheets, etc.?—Yes.

2368. Would you then consider these people unreasonable when they say that no statutory obligations should be placed on them without giving them a certain amount of privileges?—Certainly, they will be within their rights if they ask for some privileges in return.

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2369. Mere restrictive regulation alone would create practical difficulties, without giving them any corresponding special privileges. Is that your view?—Yes. At present the general feeling of all classes of people is to squeeze them out.

2370. In answer to question 77 you say that "it is the competition of the Imperial Bank and the Exchange Banks in larger centres that is hitting the indigenous bankers very hard. So far as the Indian joint stock banks are concerned, they cannot afford to give better facilities to indigenous bankers, and the competition between them in my opinion is a fair one. Competition mostly comes from the Imperial Bank and the exchange banks where they have opened their branches". In answer to Mr. Gray you said you were in favour of getting cheap money from wherever it came. I am putting it to you: is it better for India to have a widespread banking system and to have the indigenous banker flourishing than to have cheaper credit from a foreigner who may squeeze out the indigenous banker by competing with him by means of their cheap money?—I would certainly prefer to keep the indigenous banker flourishing.

2371. Regarding the use of cheques in vernacular you expressed some difficulty in having them in vernacular. That difficulty is mainly one of clearing them?—Yes.

2372. Now, supposing all the cheques in vernacular are checked and marked in English at the clearing house by an endorsing *shroff* then cannot that difficulty be got over?—If the man who makes that endorsement is known to the bank then there is no difficulty.

2373. So then if you have some recognised persons as endersers then this difficulty of the vernaculars could be got over, is it not?—Yes.

2374. When you suggest that the indigenous bankers should be appointed as agents of the Imperial Bank of India where the latter have no branches, do you imply that these people should be appointed in the villages or only in the *mandis* where marketing is done?—Only in the *mandis* because there is very little to do by way of transactions in the villages.

2375. So what you have in mind is not an isolated money-lender in the village as an agent of the Imperial Bank but *shroffs* in *mandis* where there are no branches of the Imperial Bank of India or even of the joint stock banks?—Yes.

2376. With regard to the marketing centres, is not remittance done easily through the Government treasuries in some of those places?—I can't say.

2377. Don't you think that in places where there are Government treasuries money can be remitted through them?—It may be possible.

2378. If the deposits are made in the *mandis* to some agents of the Imperial Bank and the former receive them on behalf of the latter, should the agents remit the money to the headquarters of the Bank or should they be allowed to keep it for local use?—The agents should be allowed to keep a large portion of the collections with themselves.

2379. A limit will then have to be fixed up to which such an agent can keep money with himself—a limit determined by the extent of the guarantee given?—Yes.

2380. The more the local deposits are utilised in the centre the less need there will be to send money to the headquarters of the bank?—Yes.

2381. In answer to question 55 you have said, "Owing to the increase in stamp duty the persons willing to discount *hundis* prefer to lend money in the form of a deposit with the borrower in order that with a lower duty payable to Government a margin of interest be left to them, etc." Don't you think if there were re-discounting facilities the advantage of turning into cash and making a large turn-over of the business would tell heavily in favour of the *hundi*?—Yes.

2382. So, even with the existing stamp duty, the facilities of having a larger turn-over would be a great advantage in favour of a trade bill if there were simple re-discounting facilities?—Certainly so.

2383. *Rai Sahib Kanwar Motilal*: In answer to question 55 you say "Some of the old banking families which at one time commanded great prestige in the local market and otherwise have discontinued their banking business during recent years". Why is it so?—Because of competition, lack of funds and insecurity.

2384. You say "Business at the present time is generally slack and the indigenous *shroff* has more than ample funds for the business offering itself". Don't you think that for the last ten years the rates of interest are keeping rather high?—Yes.

2385. So when there are ample funds why should interest rates rule high in the market?—That is due to lack of good security.

2386. Do the indigenous bankers generally help the trade, agriculture and industry of the country with finance or not?—Yes, they do help industries and agriculture in general but not in the Delhi city which is an urban area.

(The witness withdrew.)

Mr. NARAIN SINGH, Honorary Secretary of the Central Co-operative Bank, Ltd., Delhi.

Oral evidence (concluded).*

2387. *Professor Chabiani*: Will you kindly refer to your answers to our special questionnaire for the Central Co-operative Banks? In answer to question 7 you have given us details of the balance sheet of the Central Co-operative Bank as it stood on the 31st August 1929. Is the figure Rs. 24,500 given under Reserve Fund correct?—I am sorry there is a mistake. The figure ought to be Rs. 14,500.

2388. In answer to question 8 you give the figures under the head "By individuals". Possibly you mean individual members of co-operative societies?—Yes.

2389. Similarly in the case of "Deposits", they are really the deposits of the members only?—Yes.

2390. Could you kindly supply us figures of deposits of non-members separately for individuals and local bodies?—Yes.

2391. Please give us figures for as many years as possible?—I shall do so.

2392. Evidently question No. 10 of our special questionnaire has not been understood properly. What we wanted to know was the reserve for normal requirements and the reserve to meet emergencies?—At present there is no special distinction made between normal requirements and emergencies.

* Continued from page 134.

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2393. Supposing a crisis happens then what will you do?—There will be plenty of margin left.

2394. Further on you have given us your fixed deposits with the rates of interest. What we really want to know is the amount of deposits under each of these heads mentioned by you separately for the last 3 or 4 years?—I shall furnish those figures.

2395. In answer to question 17 you say that "the members call at the bank to receive consideration money of the pro-notes". Do they come from the villages to the city to take the money?—Yes, they do.

2396. Which mean unnecessary extra expenditure?—Yes.

2397. You are getting your accounts audited every year, is it not?—Yes.

2398. Would you please favour us with your audit notes for the last 2 or 3 years?—I shall send them on to you.

2399. You also get the audit notes of all the societies affiliated to the Central Bank?—Yes.

2400. At the annual meetings of your Directors have you ever discussed the audit notes of these societies?—No.

2401. Is it because of the indifference of the Directors or you don't think it is your business at all to do so?—In fact the restrictions of the Department are so strong that we cannot criticise them to any extent.

2402. *Chairman*: So, you don't think you are expected to do that?—No.

2403. *Prof. Chabiani*: According to the MacLagan Committee Report Central Banks ought to keep as fluid resources a sum sufficient to meet half the fixed deposits falling due during ensuing year even if no fresh deposits were received and no repayments of loans made. Have you ever worked on that basis conscientiously?—During the past few years no attempts have been made to do anything in that behalf. Generally we keep back some un-utilised funds for that purpose.

2404. Each society keeps a certain amount for meeting urgent requirements out of repayments made according to its kishtbandi?—Yes.

2405. And when the actual realisations are made they send you only a part of it, is it not?—Yes.

2406. Who determines this ratio, how much they should keep to themselves and how much they should send on to you?—They themselves decide the question.

2407. The Central Bank has no voice in that?—No.

2408. Have you not been sometimes raising fresh deposits in order to repay your matured deposits?—Not very often.

2409. I shall quote to you an example. In 1923 you actually raised a deposit of Rs. 84,000 from Seth Ram Kunwar in order to repay a deposit for Rs. 80,000 and odd which was due for repayment, and then again when Seth Ram Kunwar's deposit matured you raised fresh deposits from the Municipality and District Board to pay it up?—I can't say how things stood in 1923.

2410. Will you kindly look up your old records and find out whether these facts are correct and inform us about the exact position?—Yes.

2411. Do you know whose business it is to see that the loans are properly utilised by the members of co-operative societies?—Possibly the Inspectors or the Sub-Inspectors of co-operative societies, I do not know.

2412. Are they supposed to make a report to the Central Bank in cases of mis-application of funds by the members?—They have never made such a report so far.

2413. You don't think that it is their duty to make such a report to you?—I have received a circular from the Registrar of Co-operative Societies in which strict orders have been given not to question the object for which loans are taken. Such being the case there is no question, so far as we are concerned, whether the loans are taken for productive or unproductive purposes, or on being advanced, they have been utilized properly or not.

2414. Is it a fact that some of your depositors have been taking only a nominal interest?—I am not aware of such cases.

2415. Shall I give you an example? Seth Ram Kunwar was taking only 3 per cent. interest for some time?—Such instances must be few and far between, if at all.

2416. And there have been some deposits from Mohammedians without interest?—It may be of small amounts some years ago but that is not the case now.

2417. Could you please find out for us the exact figures under each of these heads separately?—Yes, I shall endeavour to do so.

2418. Are the deposits of societies in the Central Bank mostly from thrift societies or from co-operative credit societies?—They are mostly from co-operative credit societies. Thrift societies have put in no money practically.

2419. Do you allow interest on current accounts?—No, except to the Municipal Committee and that up to a limit of Rs. 10,000 only.

2420. Are you aware that one of the functions of the Central Bank is to advance the funds of societies?—I am not aware of that.

2421. To your knowledge has the co-operative movement been able to lower the rate of interest in the mofussil?—To some extent we have been able to reduce the rate of interest.

2422. Could you give me any instance in which the rate of interest was in a particular village higher some years back and is to-day lower?—We have got co-operative societies in villages which certainly have affected the money-lenders by lowering its rates.

2423. That is to say, in villages where there are societies the rates of interest are lower than villages where there are no societies?—Yes.

2424. Has the rate of interest gone up or gone down during the last decade?—About the last ten years?—I cannot exactly say.

2425. What is the general impression in the mofussil; are the rates higher or lower today?—The last two years have been very bad years.

2426. Is it the general impression that the rates of interest are higher to-day or that easier times have come?—I think difficult times have come.

2427. Have you any personal acquaintance with the actual working of any primary society?—I am not personally acquainted.

2428. Are you aware that in the mofussil areas during the last 17 years more land has been redeemed than mortgaged?—Yes.

2429. Is that because the agriculturist today does not need to mortgage his land or is it because the mortgages of agriculturists are considered worthless by the professional moneylenders?—Some times funds are not available, but in fact mortgages have not decreased. The revenue authorities have erred to some extent in preparing the statistics. The difficulty is that sometimes the same land is mortgaged twice or even thrice.

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2430. If it is mortgaged twice or thrice, it must be entered twice or thrice just as it was redeemed twice or thrice. Why should there be any mistake?—If there are earlier mortgages subsisting and they are redeemed twice or thrice, there must be more redemptions than mortgages.

2431. But the general amount of redeemed area is very much greater than the amount of area freshly mortgaged, which is possible to be explained away by two things; either the agriculturists are getting more prosperous or that the mortgages are false?—Neither. There might be inaccuracies in preparing those statements.

2432. You mentioned something about loans in kind. What is the rate of interest charged on loans in kind?—That depends upon the prevailing conditions. No hard and fast rules are laid down for all areas; in some places it might be lower.

2433. What is the rate of interest on loans in kind?—It is generally "suwai" or one-fourth, sometimes between one-fourth and half.

2434. That means that the loan is taken in kind and repaid in kind and the calculations are made in maunds of produce. Is that the practice in isolated villages or is it fairly general?—I think it is fairly general.

2435. At the time when the agriculturist borrows for seed purposes in kind, the rates of produce are higher in the market?—Not necessarily.

2436. Take the month of October. Is not the rate of corn ordinarily high in that month than in April or May?—Yes.

2436a. So that when a man gets 5 maunds in April for 4 maunds in October, and converts it into cash at the market rate it does not come to 25 per cent. interest?—Even when it is higher than the market rate of interest.

2437. How?—Sometimes for two months you get 25 per cent., even by valuing the price of the corn at that time and at the harvest time, the creditor realises a high rate of interest.

2438. Is not there a difference of 10 to 15 per cent. in the prices between October and May?—Yes, there is a difference of 10 per cent.

2439. That 10 to 12 per cent. must be deducted out of his net earnings when calculating interest?—Yes, it must be deducted.

2440. You have given us certain rates of interest in your memorandum. Have you in any concrete case followed the transaction right up to the time of final recovery?—I have.

2441. Is not there a wide gap between the stipulated rate of interest and the actual realisation by execution of a decree?—There is some gap.

2442. When the agriculturist lends money on mortgage with possession instead of lending money on mortgage without possession, his net realisation as income from the land comes to be much lower than the stipulated rate of interest?—Yes, it is less, but I cannot say definitely how much.

2443. Which means that this difference between the rate of interest in mortgages with possession and mortgages without possession is really due to the fact that in one case there is certainty of recovery by way of produce and in the other case there is not?—Yes, it is so.

2444. You have suggested something like the moneylenders' bill. Will you include the agriculturist moneylenders also?—I think they should be included.

2445. Will you also include persons who do moneylending occasionally; for instance, the Government pensioners?—So far as agriculturist

moneylenders and these pensioners are concerned, the complaints are not many.

2446. Would you include these people?—They may very well be included.

2447. Would you also include traders who give commodities on credit and charge interest after short periods?—I think so.

2448. Is the village moneylender primarily a retail dealer, is he not?—Yes, he is.

2449. Is he a small man or a big man generally?—When compared with other villages or urban moneylenders?

2450. As compared with the moneylenders in other villages and also such people in the cities?—He is neither too big nor too small.

2451. What do you think must be his average income?—I cannot say definitely but compared to other villagers his income is that of an average family in the village.

2452. How much a year is sufficient to maintain his family?—For an average family it may be about Rs. 50 per mensem.

2453. Is he himself a worker, or is he a man who employs hired labour?—He himself is the worker.

2454. Just as you are inclined to protect the borrower, will you be inclined to protect the honest creditor?—He can very well take care of himself.

2455. If an honest creditor does not want to live by usury or by oppressing his fellow people, but all that he wants is a fair margin of interest actually realised, would you be prepared to give such a man facility for recovery?—He has already got sufficient facilities.

2456. Then why is there the gap between the actual realisation and the stipulated rate; does the same gap exist in the case of co-operative societies?—No, the margin is less.

2457. Therefore, if this margin actually becomes less by facilities of recovery, will an honest creditor be inclined to lower his rate of interest?—Even if we offer the safeguards he will not lower his rates.

2458. If he is compelled by law not to recover above a certain rate of interest, would you give him any facilities for full recovery?—In that case there is no harm.

2459. If all that he wants in return is ample facilities for recovery, so that the difference between the stipulated rate of interest and the realised rate becomes much smaller would you allow him such ample facilities for recovery, provided he binds himself down to charge a reasonable rate of interest?—That is a question of opinion. My fair opinion is that he has got enough safeguards at present.

2460. You yourself say that there is a wide gap?—His investments may be bad; there might be other defects.

2461. Should an honest creditor who accepts the limitations imposed upon him by statute be given full facilities of recovery?—Yes, he may be given; there is no harm.

2462. You would not limit your legislation only to rural areas, but you would extend it to urban areas as well?—It can equally be extended to urban areas.

2463. Would you be satisfied if an honest creditor paid the loan in cash to an agriculturist by a cheque on your Central Bank, so that the Central Bank may maintain a running account?—Experiment has not been tried.

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2464. Will you be satisfied if a cheque is drawn on your Bank or on a Post Office, because then there will be no question of his keeping accounts in the form you wish him to keep them. Money will be paid by you and payments made through you and automatically there will be proof of money having been paid or repaid?—Yes.

2465. Turn over to your answer regarding mortgage banks. You say that the mortgage banks can advance for the sinking of wells and agricultural improvements. Your primary object is to finance land improvements. Is not the *takavi* system also for land improvement?—I don't think so.

2466. What are the difficulties?—Enough money is not forthcoming for that purpose. Besides money has to be returned within certain years and people are put to very great personal inconvenience.

2467. And expense as well?—Yes, to some extent.

2468. How much amount for land improvement can such a mortgage bank actually lend with safety, considering the Land Alienation Act and the existing heavy indebtedness, for such improvements?—I don't suggest that loans for land improvement should be given to all people, but only to those who are either free from indebtedness or not indebted very much.

2469. But you say such persons are few?—Yes.

2470. You suggest that the margin should be 50 per cent. of the loans advanced. What percentages do you think have not already reached this limit of 50 per cent.?—I think very few must have reached this limit.

2471. Among the indebted people who have mortgaged their lands, only a few people have reached the limit of 50 per cent.?—Yes.

2472. Do you think substantial amounts of money can be raised in Delhi from the sale of debentures issued on the security of land?—I think so.

2473. Do you agree that to the extent that the Land Alienation Act exists, the security on which debentures can be floated is materially less?—Yes.

2474. Do you realise that if land is leased for 20 years and money is not paid for 7 or 8 years, there would only remain 13 years' lease, and do you think if this 13 years' lease were publicly auctioned in the case of non-realisation of the loan, a substantial number of people would be found willing to take such leases when a number of such leases are auctioned?—I cannot say; people might be found.

2475. Do you know that if land is sold by public auction, the price realised is very much less than when sold by private negotiations?—Certainly, it is less.

2476. If the market is offered at one moment a number of 13 years' leases, how much money do you think can be realised as compared to the mortgage money?—I have not thought over this question.

2477. Do you know that an ordinary depositor of any bank can add his interest to the principal after one year?—Yes.

2478. So that a debenture holder who advances money instead of keeping a deposit in the central bank will consider this fact when he buys the debenture, and taking that into account for how much a debenture for Rs. 100 will be sold if it is payable after 10 years?—I have not made any calculations of this sort.

2479. *Kanwan Moti Lal*: In your memorandum you say that if the grant of such loans is made on the recommendations and through

central co-operative banks, much greater benefit will accrue to the borrower under this Act. In that case will there be no delay?—Even now it takes about a month to grant loans.

2480. But now the officer in charge is only one and then there will be two officers and consequently more delay?—No, that will not make much difference. Now the Revenue Officers do not meet their demands as they ought to do.

2481. In answer to Question 21 you say that “the cultivators may be able to raise money on the produce at the least possible rate of interest. At present no facilities exist”. How can you say that there are no facilities. Have you any personal experience?—Yes, it is my personal experience, being a *zamindar*.

2482. Can you quote any instance?—My personal experience, and many instances will be forthcoming.

2483. Do the *zamindars* mostly bring the produce to the *mandis*, or the *sahukars*?—I think the agriculturists do so.

2484. In reply to Question 64 you say that there is great prejudice against the indigenous banker. Do you mean the moneylender or the indigenous banker?—I mean the money-lender.

2485. Does the co-operative society make recoveries at the time of harvest?—Yes.

2486. Then if the moneylender makes recoveries at that time, where is the harm?—Recoveries are not harmful, but his tactics are harmful, because he takes away all the produce and does not leave anything for the requirements of the agriculturist.

(The witness withdrew.)



सत्यमेव जयते

Mr. Narain Singh.

Saturday, the 1st March 1930.

NEW DELHI.

PRESENT.

Khan Bahadur Diwan ABDUL HAMID, C.I.E., O.B.E. (<i>Chairman</i>).	
Professor H. L. CHABLANI, M.A.	Rai Sahib KANWAR MOTI LAL.
Lala BAL KISHEN.	Lala SHRI RAM (<i>Co-opted member</i>).
Mr. V. F. GRAY, M.L.C.	

Mr. V. S. MARBALLI (*Secretary*).

**SETH PERMANAND JAIN, M.A., M.R.A.S., Income-tax Officer,
Delhi.**

Replies to the questionnaire.

2487. 2. The rates of interest stipulated in urban areas range between 6 and 9 per cent., and those in rural areas between 12 and 18 per cent. The stipulated rates of interest depend on the nature of the security against which the loans are advanced and the financial position of the debtor. Money advanced in very small sums (say, in sums varying up to Rs. 100) to persons with no assets whatsoever is occasionally given on as much as 24 per cent. This does not mean that these are the rates of interest actually realised by the creditors. The interest is generally calculated on the running account at the end of the year, but when a balance has been struck and the amount due settled, interest is calculated at simple interest little before the limitation period of three years expires. The estimated interest for the first year is, in rural areas, sometimes deducted from the principal advanced. Recovery through courts is generally avoided. The village moneylender imagines that he has got a sort of a right on the agriculturist's crop for recovery of his money and generally demands his money when the crop has been cut and before it is removed.

2488. 12. The system of loans in kind for seed purposes round about Delhi is generally as follows. The creditor gets $1\frac{1}{2}$ times the quantity lent out by him at the time of the harvest.

There is no difference in the rates of interest on loans advanced for permanent improvements and those given for other special needs, except in so far as results from the nature of the security offered in the two cases. It generally happens that the borrower borrowing for capital and permanent improvements has a better security to offer and therefore pays a lower rate of interest.

2489. Except in the case of bonds no period is generally specified. The security against which money is advanced is in some cases ornaments, but in most cases only the general assets of the borrower.

2490. Ordinarily the loans are repaid when the crop is ready.

2491. The rates of interest stipulated in the case of loans without security are generally exorbitant, but not only the risk of losing the capital is usually very great but even when recovered, repayments in

small doses and spread over a long period of time are made. Besides this at the time of settlement very ample reductions are made, bringing down the net return much below the stipulated rate. Taking the actual net return into account, we do not consider the stipulated rates of interest in any way exorbitant.

2492. 55. The following are the communities which practise indigenous banking and moneylending in this Province:—

Agarwals (vaish and jains), jats and gujars.

2493. 56. In the village areas there are practically no bankers in the real sense of the term. There are moneylenders who combine in themselves the functions of a *parchunia* (retail provision dealer) with those of lending money. This is mainly necessitated by the practice of advancing loans in the shape of food stuffs and other necessities of life and receiving back produce in payment of the loan.

2494. Among the rural income-tax assesseees of this class there are not more than 30 per cent. people who live exclusively on money-lending.

2495. In the city money-lending is usually combined with business in gold and silver, and the banker in this area mostly combines the banking business with all sorts of trade. Hardly a few are pure indigenous bankers.

2496. 58. The Income-tax Officer, Delhi, has already given a statement showing the amount of capital employed, the expenses incurred and the earnings from interest.

2497. There is no relationship whatsoever between the city banker and the village money-lender. The village money-lender, however, has got dealings with the money-lenders or *shroffs* of small towns in his neighbourhood, i.e., Mahrauli, Najafgarh and Narela.

2498. 61. The village moneylender confines his operations to his own capital generally, and in times of emergency he supplements his own capital by means of borrowings from others engaged in the same trade or business. It is very seldom that he receives deposits as banks do, but occasionally has got deposits of some of his relations with him.

2499. The indigenous banker in the city invests partly his own capital and partly raises funds by selling hundis in the market and receiving deposits from others. The latter, however, are generally declining, and most of the deposits with the indigenous banker in the city are those of his relations and friends. A general estimate of the deposits may be made from the figures already supplied relating to interest paid on deposits by the indigenous bankers.

2500. 62. The rates of interest allowed on deposits vary between 3 and 5 per cent. according to the credit of the indigenous banker and the general state of the money market. These rates do not vary in different seasons. One indigenous banker charges to another generally at 6 per cent. without any security.

2501. 63. The figures in statement referred to in answer to question No. 61, show that the average rate of estimated interest comes to about 10 per cent., but the actual realisation as a matter of fact is much less.

2502. 64. There is no prejudice either against the indigenous banker or the moneylender in this Province.

2503. 65. The figures supplied in statements referred to above show that the net income estimated by this Department in the case of rural moneylenders and bankers varies between 9 and 11 per cent. and that

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of the urban area bankers and moneylenders a little below 6 per cent. My own impression is that indigenous banking business is declining in rural areas and increasing in the towns.

2504. **66.** The indigenous bankers and moneylenders cannot meet all the demands made on them both on account of the insufficiency of the working capital and of the unacceptable nature of the security offered.

2505. **69.** No; but there is a marked tendency in the villages to withdraw money from the villages and re-invest it in the city.

2506. **81.** The habit of the people to hoard gold and silver as a form of investment is greatly weakening, but ornaments made of gold and silver are coming into increased use among a larger class of people than before. An estimated annual average of the amount of gold and silver (based upon three years' figures) sold by the income-tax assesses among the gold and silver dealers has already been supplied.

2507. **90.** The following figures indicate the interest on Government securities on which tax has been deducted at source by the Treasury Officer. The figures seem to suggest that whenever business conditions are bad, investments in Government securities go up.

Year.	Interest on Government securities assessed by the Treasury Officer.
1918-19	66,936
1919-20	58,336
1920-21	44,824
1921-22	77,280
1922-23	82,376
1923-24	1,18,560
1924-25	78,490
1925-26	75,328
1926-27	1,16,053
1927-28	3,36,224
1928-29	5,48,234

Oral evidence.

2508. *Chairman:* You are the Income-tax Officer in charge of the Delhi Circle?—Yes, District side.

2509. Your office here is subordinate to the Income-tax Commissioner of the Punjab?—Yes.

2510. Could you kindly tell us what the total revenue from income-tax in this Province is?—It is nearly 9 lakhs of rupees on the District side.

2511. How much is realised from the Delhi city itself?—The collections are mostly from the Delhi city.

2512. What proportion of it? Will it be about two-thirds?—Much more than that.

2513. Very little from the suburbs?—Yes.

2514. Has the income-tax revenue been increasing during the last ten years?—Yes, more or less since the present Department was reorganised in 1922.

2515. By what percentage has the income increased?—I could not tell you that, but the increase has really been due to increased vigilance and better administration of the Department.

2516. And you don't think it is due to increased income of the people generally?—I don't think so.

2517. *Lala Bal Kishen*: In answer to question No. 55 you have said that the communities which practise indigenous banking and money lending in this Province are the *agarwalas* (*vaish* and *jains*), *jats* and *gujars*. They are mostly doing the money-lending business in the rural areas, is it not?—Yes.

2518. Do you think the *jat* and *gujar* money-lenders are on the increase?—Yes.

2519. Later on in answer to question No. 69 you say "there is a marked tendency in the village moneylenders to withdraw money from the villages and invest it in the city". Do you mean the agriculturist moneylenders?—No, the non-agriculturist moneylenders.

2520. The agriculturist moneylender has gradually taken the place of non-agriculturist moneylender in the villages, is it?—Yes.

2521. From your experience of both the agriculturist and the non-agriculturist moneylenders do you find that the former method of business are just the same as of the latter?—Agriculturist moneylenders are not so clever but they are harder.

2522. Money has not become cheap to the borrowers because of the introduction of the new class of agriculturist money-lenders, has it?—No.

2523. What is this migration of the non-agricultural moneylender from the village to the city due to?—Because he gets a better security for his money in the city than in the village. It is more risky to deal with the rural population.

2524. Why?—Because the borrower does not pay back regularly in the village.

2525. In answer to question No. 56 you say that "the money-lender in the village is also a provision dealer in most cases and this is mainly necessitated by the practice of advancing loans in the shape of food stuffs and other necessities of life in kind". Is this due to the fact that in the village, an average man has not got cash enough to buy his necessities in cash and therefore the moneylender has to combine the two functions together or for any other reason?—It happens this way. When a loan is advanced in kind it is also repaid in kind and so the money lender has to find out other avenues to deal with the stuff and so naturally he resorts to lending in kind as well.

2526. *Professor Chabiani*: Is this note of yours based upon your general impressions or is it based upon a scrutiny of the actual cases that have come to your notice officially?—This note is based more or less entirely on the records maintained in my office, and it has been prepared in consultation with practically all the income-tax officers and the other executive staff of the Department in Delhi.

2527. May I know who the other officers are?—Three income-tax officers, 2 assistant income-tax officers and 4 inspectors.

2528. What are the duties of these inspectors? Do they go round to make local enquiries?—Yes, they do.

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2529. So then this note of yours has been prepared by men who have had considerable knowledge of the actual business of the income-tax assesses in this Province?—Yes.

2530. And it may be presumed to represent the general conclusions of your entire staff including two of your colleagues?—Yes.

2531. You have sent us two statements one showing the net income estimated by your department in the case of rural money lenders and bankers and the other giving figures for both the rural and urban areas conjointly?—Yes.

2532. Have you got the figures for the urban areas separately?—The difference between the two figures will give you the estimated amount for urban areas.

2533. I would like to know whether you have excluded the deposits of the joint stock banks in the urban areas from the figures of deposits you have given us?—Deposits of joint stock banks have been excluded from these statements.

2534. Nor do the income-tax figures represent any income of the joint stock banks?—No.

2535. In answer to question 65 you say “our own impression is that indigenous banking business is declining in rural areas and increasing in the towns”. By indigenous banking you mean here money lending or the business of *shroff*?—Yes, money-lending. There are practically no *shroffs* in rural areas.

2536. And not the *hundi* business?—No.

2537. In connection with your estimated annual average amount of gold and silver sold by the income-tax assesses among the gold and silver dealers, I suppose you have excluded the business done by the joint stock banks?—Yes.

2538. Then what do these figures really represent?—We have given you these figures from our own records for dealers in gold and silver with whom we were concerned.

2539. These dealers may have made their purchases of gold and silver directly from other dealers outside the Province and they might have also received a part of the supply from the joint stock banks as well, is it not?—Yes, it is very likely.

2540. Now from your own experience of the department can you roughly tell us how much of this gold and silver sold by Delhi dealers may be presumed to be consumed by the people of the Province as against those purchased here but consumed outside the Province?—My own impression is that most of the gold that is purchased in Delhi is not used up in the city or the Province itself but is sometimes used up in places like Panipat, Sonapat, Rohtak and other places.

2541. What I am asking you is whether towns like Ambala, Amritsar, Cawnpore, Lahore, etc., don't make their purchases of gold and silver here in Delhi?—No, they don't.

2542. Roughly speaking, what do you think must be the proportion of gold and silver sold by Delhi dealers to people outside the Delhi Province?—I can't tell you.

2543. Would you kindly consult your staff and tell us the result of your enquiry?—I shall try to find that out if it is possible and let you know.

2544. Regarding income-tax on income from Government securities, I suppose you have excluded the figures of securities held by banks?—Yes, and those held by charitable institutions and by people whose

income is not assessable. I would like to modify my answer. Possibly some of the securities held by joint stock banks might also have been included here.

2546. You are aware that the head offices of all joint stock banks that operate in Delhi are outside Delhi and the banks' Government securities are held only at the head offices?—Yes; then it has been excluded altogether.

2546. It is only the head offices of these banks that invest in Government securities?—Yes.

2547. Regarding the rate of interest prevailing in rural areas, I suppose you have for moneylenders who do not give you actual accounts, some kind of rough working rules for purposes of assessing their income-tax which are based upon the experience of recorded cases?—Yes.

2548. Quite a large part of what you call the estimated rate of interest is merely a presumptive rate of interest for the purpose of assessing income-tax?—Yes.

2549. And when you say that the actual realisation by these village money lenders is less than the stipulated rate, that too is based on a certain percentage of cases which have come to your knowledge officially?—Yes, as a matter of fact I have added a note about that.

2550. That is what I wanted to know. Thank you for your assistance.

2551. *Kanwar Moti Lal*: You say in answer to Question 12 that the creditor gets $1\frac{1}{2}$ times the quantity lent out by him at the time of the harvest. Is there any difference in rates at the time of lending produce for purposes of seed and at the time of the harvest?—When the produce is lent out for seed purposes the rates are higher than at the time of the harvest.

2552. Then the actual rate of interest is not 25 per cent., but it is much less?—Of course sometimes it comes to much less than the actual price of the produce lent for seed purposes.

(Witness withdrew.)

The Committee then adjourned till 11 A. M. on Wednesday, the 16th April 1930, at New Delhi.

नयमान नयन

INTERVIEWS.

Notes of Prof. H. L. Chabiani's interviews with Mr. S. C. Fozdar, Agent, Central Bank of India, Ltd., Delhi, regarding Question Nos. 55-86 of the Committee's Questionnaire, on 7th, 9th, 10th, 15th and 16th October 1929, and 15th and 28th January 1930.

2553. Delhi is easily the biggest banking centre between Calcutta at the one end and Amritsar at the other end. It has banking transactions with almost all the great *mandis* in the Punjab on the one side and the United Provinces on the other. It is a financing centre for *mandis* like Bhatinda, Panipat, Rohtak, Kosi, Biwani, Ghaziabad, Hapur and Meerut. It has not only direct commercial dealings with these *mandis*, but it is also the financing centre for business between these *mandis* and other commercial centres in northern and central India north of Bombay. It is the connecting link with the various commercial centres in Northern India in the financing of both export and import trade mainly through the agency of *artias*. It is more a centre of collection business, in demand bills than of trade in commodities for other smaller centres. As a *mandi* of commodities, it is a market to a limited extent only.

2554. 56-58. The indigenous banker in Delhi does not finance agriculture; he helps trade and to a limited extent industry, but keeps no deposits with any industrial concern.

2555. Indigenous bankers do not take any regular current deposits, but they compete with established joint stock banks for fixed deposits. They keep their fixed deposits with banks only when the market rate of interest is low. Supposing the market rate at any time of the year is 3 to 4 per cent., they are then prepared to keep money in fixed deposit with the bank at a higher rate, say, 5 per cent., for a year or so, coming back to the bank for an overdraft against the same deposit on a little higher rate of interest, when the market rate makes it profitable for them to borrow at the bank's rate and invest it at a profitable rate in the bazaar. The rates on deposits offered by the joint stock banks do not always follow the market rate of interest in the city, because the bank considers the average rate on which they can accept deposit throughout the year in view of the possibility of investing funds not only in this city, but also elsewhere in grain centres at a more profitable rate.

2556. The joint stock banks here generally do re-discounting business. Of the total discounting business in the city nearly 75 per cent. of the bills are held over for maturity by the indigenous *shroffs* themselves, the remaining 25 per cent. are offered to the banks for rediscounting.

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About 60 lakhs worth of bills are purchased by the bank from the indigenous *shroffs* every year on the various towns, mostly the ports except Madras. No usance *hundis* from mofussil centres round about Delhi ever come to the Delhi banks for discounting. The indigenous bankers purchase the demand bills themselves from the surrounding *mandis* at a rate of exchange ranging between 6 and 8 annas per cent.

A bank sold $1\frac{1}{2}$ crores worth of drafts in a year on its own branches at the port towns. It is a practice among the indigenous bankers generally to take full advantage of the absence of branches of joint stock banks in the mofussil. They sell *hundis* in the shape of demand drafts on such centres at a very high rate of exchange, but they rarely do this in the case of bills on port towns or inland centres where there are joint stock banks' branches. So far as the port towns are concerned, the indigenous banker buys demand bills from the *mandis* and sells them to the banks. About 2 per cent. of the usance bills rediscounted by this bank are drawn on inland commercial centres such as Amritsar, Lucknow, Cawnpore, etc.

2557. The *hundi* business in Delhi is not confined to professional *shroffs* or bankers; it is very common for persons like pensioners to invest their money in *hundis* rather than keep it as a deposit in a joint stock bank. Nearly 10 per cent. of the *hundi* business of Delhi is in the hands of such persons. The joint stock banks also deal in *hundis*; but their business in *hundis* is in reality rediscounting of the same. Of the total funds available for investment from the public about 33 per cent. is absorbed by Government securities including treasury bills, 22 per cent. go into the hands of *shroffs* and the remaining 44 per cent. goes to the banks in Delhi.

2558. The joint stock banks here generally change their rates with the Imperial Bank of India's *hundi* rate.

2559. 59. Of the total amount of means of payment needed for the marketing of produce in Delhi and the neighbouring *mandis* cash in the form of silver rupees and notes constitutes as much as 60 per cent., and the indigenous bankers' *hundis* 30 per cent., only 10 per cent. being financed by the joint stock banks including the Imperial Bank. In inter-*shroff* business the instrument generally used is a promissory note in form; but the custom of the place makes it in reality a usance bill for 30, 60, or 90 days according to the implied or expressed understanding among the parties. This device enables the market to avoid the stamp duty on usance bills.

2560. There are three kinds of bills in the market, demand bills, usance bills and documentary bills. The documentary bill is not generally looked upon favourably by the indigenous banker. The interest on the usance bills is the same as on documentary bills. Documentary bills are generally export bills and go from Delhi market mostly for collection at port towns. The banks put a limit on the amount of business of demand bills and usance bills in the case of each individual *shroff*, but there are practically no limits on the amount of money lent against documentary bills which are generally discounted with a margin of 10/25 per cent. for safety.

2561. 60. Loans against mortgage of property are generally shunned by joint stock banks here, though some of the banks a few years ago used to do a substantial amount of this business at a high rate of interest. This business generally is now in the hands of the indigenous *shroffs* or *sahukars* with an average earning of 12 to 18 per cent. Private individuals, and retired men from various services indulge in these forms of investments to get better interest than from joint stock bank deposits.

2562. The system of cash credit among such banks is in existence, but it is not so common as the sale of *hundis*, as the latter carries with it greater prestige in the market.

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2563. 62. The Indian joint stock banks receive fixed deposits generally for six or 12 months. They generally do not care to accept deposits for longer periods.

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2564. The inter-*shroff* rates at Delhi affect the joint stock banks seriously so far as their deposits are concerned. In the market this day-to-day loan business is done in large volumes between the *shroffs* at the rate of 6 pies per cent. per day, which works out at nearly 11 per cent. with the result that the *shroffs* instead of keeping deposits in their current accounts with the joint stock banks, affect adversely the deposits of the joint stock banks. The reason why the *shroffs* prefer to borrow from one another, at a high rate of interest rather than from the Indian joint stock banks is partly because they wish to keep the knowledge of their transactions known to as few people as possible; partly because they know each other's financial position more intimately; partly because they have not to go through the formalities which a joint stock bank has to insist upon, being the trustee of public funds, and partly because of the moral obligations recognised as binding on them so far as their mutual relations are concerned. The inter-*shroff* rate in the busy season is 6 pies per day per cent. and in the slack season it dwindles down to 3 pies per day per cent. These day-to-day loans are generally changing hands every day and are seldom kept for a longer period than a week with one party.

2565. The joint stock banks do not vary their rates of interest according to the securities offered, because their principle is that the best of securities only should be accepted in the shape of Government Promissory Notes and approved shares of various concerns. Title deeds of property are generally avoided, as such investment causes embarrassment by locking up their liquid resources. Such variations prevail only in some banks whose investments are generally in the shape of mortgages which are considered semi-permanent investments. The variations in their rates of interest are only seasonal and follow the lead of the Imperial Bank of India. The joint stock banks generally charge 1 to 2 per cent. over the Imperial Bank of India *hundi* rate, with a minimum of 6 per cent. The Imperial Bank of India's *hundi* rate is generally the bank rate or half per cent. below the bank rate in the slack season, while the joint stock banks' *hundi* rate generally is 1 per cent. over the Imperial Bank's rate reaching up to 9 per cent. in the busy season. The only scope, therefore, left for the joint stock banks for first class business is to take into account the probable fall in the bank rate during the following months. They can do business at a remunerative rate only when the bank rate is high.

2566. *Rate of Interest.*—In 1924-25 the market rate of interest went high and the banks borrowed money even up to a rate of 8 per cent. per annum so much so that the exchange banks were offering openly 6 per cent. for short deposits. On the whole, during the period 1923-29 with the exception of three months specified above, the rates of interest have practically remained the same every year, varying between 4 and 7 per cent. During the months when the Government of India contemplated floating new loans the rate of interest was generally pulled down to 4 per cent. to induce the public to invest their funds in the new loans, while the rate during the remaining period of 8 months in a year went up as high as 7 per cent., sometimes even to 8 per cent. for a few weeks unnecessarily.

2567. **64.** There is no prejudice in the market against indigenous bankers at all: it will be more correct to say that there exists a prejudice against joint stock banks. Generally the indigenous banker enjoys a high reputation in the market.

2568. **66.** On the whole, I think that the capital available for lending is insufficient to meet all demands for accommodation in Delhi, but if the documentary bills were more common, and there was a branch of the Reserve Bank in Delhi to rediscount good genuine trade bills to any extent, considerable improvement in banking facilities is likely to take place.

2569. **67.** At present there are very limited remittance facilities available to trade except in places where there are branches of joint stock banks. The banks seldom avail themselves of the facilities offered by the Imperial Bank in the form of supply bills as rates charged are too unattractive for any decent bank. The Imperial Bank itself sometimes adopts a policy of almost prohibitive rates; for instance, the rate of remittances between the city branch and the New Delhi branch of the Imperial Bank is as high as 3 annas per cent. on cheques of amounts exceeding Rs. 5,000. Even this facility has been stopped.

2570. The competition in remittance business and drawings on port towns is of a very special character at Delhi. The indigenous banker in Delhi not only endorses the *darshani hundis* bought by his firm from the *mandis*, but also competes with the other banks in remittance partly by sending those *hundis* direct to his *artias* at Calcutta or Bombay, and partly by creating drawings by his own *hundis* which are offered, as stated above, at 1 anna to 1 anna 8 pies per cent. to the other exchange and joint stock banks. Generally the banks would prefer to have endorsed *hundis* to clean *hundis* for collection and discounting but in the case of *shroffs* who are on the approved list of the bank clean *hundis* are accepted. Not only the indigenous *shroff* issues such clean bills to the banks, but sells them in the market also at premium. In this way he is a serious competitor of the joint stock banks in remittance business and drawings.

2571. The foreign exchange banks are another keen competitor of the Indian joint stock banks in remittance and drawing business. It is but natural that on arrival of foreign bills for collection they should have ample funds collected at their branches, which they have to remit to port towns for investment in export bills by their port offices. This they must do by hook or crook, and in doing so they do not mind the loss of interest. So they offer generally 50 per cent. cheaper rate than the joint stock banks who have to count pie to pie interest on their investments as they have to pay heavy interest to their depositors. Moreover, even if these exchange banks have to invest funds in the bills business out of their local deposits, they are still in a better position to compete because of the lower rate of interest which they pay to their depositors owing to their prestige and standing. These exchange banks take advantage of the remittance facilities of the Imperial Bank of India by paying them 6 pies per cent. even when they can buy drafts from the Indian joint stock banks at a cheaper rate.

2572. The competition of the Imperial Bank of India is still keener than this, as they have ample funds at their disposal at practically no interest and as owing to their account with the treasury they can pay for their remittances by book entries in their branches which exist now in even small places. The competition of these branches is unbearable by the joint stock banks. Moreover, they try to sponsor

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business of indigenous bankers who are naturally inclined to give them work more than to the joint stock banks, because they save a little by discounting *hundis* at the Imperial Bank to a certain extent, instead of joint stock banks.

2573. For remittance to Calcutta, Cawnpore, Peshawar, Lahore, Karachi, Indore, Bombay, Gujerat, and Nagpur a person can get in Delhi the *hundis* of indigenous bankers as well as drafts of banks; to Hyderabad Deccan neither; to Madras only bank drafts; to Jaipur, Beawar, Jodhpur, Ajmer etc., both the *hundis* and drafts are easily obtainable.

2574. Bills as well as bank drafts on Calcutta, Bombay and Karachi are used for remittance purposes to a large number of inland trading centres with which Delhi has got dealings as the bills on these places always command a sale in the inland centres. In the absence of direct banking facilities or sufficient coverings for remittance and drawing from Delhi to other centres, the traders generally accept and send bank drafts or demand *hundis* at the Port towns where all the adjustments are effected through some banks or *artias*. Similarly a *hundi* on Delhi settles quite a large number of transactions between a larger number of *mandis* in the United Provinces and in the southern portion of the Punjab and in practically the whole of Rajputana.

2575. 68. Trade between Delhi and the mofussil *mandi* dealers is generally financed by *hundis* and metallic cash. For instance, as much as 30 to 40 lakhs a year was sent to Hapur during the busy season by the local banks in Delhi in the form of rupees; and about 10 lakhs more of rupees were brought to Hapur from Meerut and other places. Notes are not generally in use in the *mandis*.

2576. The bills drawn on the ports are purely demand bills for remittance purposes. Most of the usance bills are genuine trade bills or bills drawn on persons who are generally reported to do genuine trade business. Hardly 10 per cent. of the business done in these bills is for the purposes of taking advantage of the current remittance charges from one place to another, or of the difference in the rates of interest in different commercial centres. Delhi being a commercial city, there is ample scope for employment of funds here and very little money is in surplus to be moved to another place.

2577. June, July and August are the months in which we have a slack season in Delhi when money cannot be invested profitably by the indigenous banker to his satisfaction. In this season the indigenous banker either offers his money on fixed deposit to the bank, as has been said previously, or transfers his funds to grain centres in the surrounding areas such as Hapur, Hissar, Panipat, Ghaziabad, etc. In the mofussil, grain is available for sale from May. It is stored generally in pits and sold in the subsequent months according to the demands of the local consumers or from the ports. Money is not then transferred either to the ports or to the other commercial centres, there being slackness all round. On an average 1/3rd of the outlay of the indigenous bankers goes out in this way to finance grain trade in the *mandis* in the surrounding areas.

2578. The total amount of discounting business in *darshani* bills drawn from Hapur on the port towns was a fluctuating quantity during the last decade. Between 1924 and 1928 the amount of such bills on the ports was on an average about 12 lakhs. The amount nearly doubled itself between 1924 and 1928, but since 1928 owing to the condition of export business in Hapur, the bills' business has declined once again to the level of the year 1924.

2579. The actual cash (coin and notes) remitted by banks from Delhi to Hapur through the agency of the banks during the busy season was about—

Year.						Amount in lakhs.
1923	..	..	..	..	..	22
1924	..	..	..	..	..	37
1925	..	..	..	..	..	55
1926	..	..	..	..	..	55
1927	..	..	..	..	..	63
1928	..	..	..	..	..	59
1929	..	..	..	..	..	42

Of this amount about 1/3rd returned again in cash to Delhi every year.

2580. It is better to reduce than to abolish the duty on bills, as a low uniform stamp duty, say four annas, would greatly stimulate the use of usance bills, while maintaining its prestige as a valuable document. The court fees on proceedings arising out of a hypothecation bond (stock-in-trade) should be remitted.

2581. 69. The funds in the hands of indigenous bankers were generally employed throughout the year. In the busy season the indigenous banker in the mofussil is dependent for help on the bankers in Delhi.

2582. 71. At present the force of custom in Delhi enables the banker to apply successfully moral pressure on the endorser to pay before due date if the drawer fails at any time; but it is very doubtful whether this is legally enforceable; if it is not, some change in the law is obviously necessary in order to extend the use of usance bills generally.

2583. 72. If the Indian indigenous banker or even the money lender of the mofussil was recognised by the Government and given the same facilities for recovery as are open to the co-operative societies, it is possible to make the *shroff* in the mofussil a link between the joint stock banks in big commercial centres and the financing agency in the village.

2584. 84. All classes of people use cheques in the city of Delhi. Since the abolition of the duty there has been a considerable increase not only in the amount of the cheques used, but also in the number of people who use cheques. The cheque forms in use here are printed in English, but entries and signature by the customer can be written in Urdu and Hindi if he so desires, but only a very small percentage of cheque using persons actually do so.

2585. The co-operative banks and Government, through their Post Office Cash Certificates and short period loans in the shape of treasury bills, compete unfairly with the Indian joint stock banks in the matter of attracting deposits. The investing public is under the impression that Government is behind the co-operative banks, and in addition to this advantage, these banks offer a much higher rate of interest on deposits than the Indian joint stock banks can afford to give. The rate of interest paid on Post Office Cash Certificates offers sufficient inducement to the public to divert their deposits from the Indian joint stock banks to this form of investment. The rate for treasury bills is going up day by day and what is worse, these treasury bills are offered in the market in the busy season rather than in the slack season when the joint stock banks need all the funds they can command for financing trade. The result is that the joint stock banks automatically become the borrowers of the Imperial Bank at the high bank rate then prevailing.

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Notes of answers to the questionnaire given by Mr. Adishwar Lal, Indigenous Banker and Treasurer, Central Bank of India, Ltd., in his interviews with Prof. H. L. Chablani, on 11th & 21st October & 15th December 1929 and 20th & 23rd January 1930.

2586. 17. The following are the marketing centres for the various crops round about Delhi which are financed to a large extent by the money market in Delhi:—

Hodal, Palwal, Kosi, (Barley and wheat).

Sonipat, (wheat and *gur*).

Ghaziabad and Sikandarabad, (Wheat).

Brot, (*gur* and wheat).

Shamli, (*gur* and wheat).

Hansi, Rohtak and Hissar, (Cotton).

2587. 48, 50 and 51. The rates of interest in this city are different for different classes of people. The middle class public servants and middle class traders earning, say, incomes below Rs. 100 a month, have to pay rates of interest ranging between 12 and 24 per cent., 18 per cent. being the most common rate. Most of these people have very little security other than their personal standing to offer. An overwhelming majority of them have parted with their houses during the last 20 years or so, especially after the war, with the result that they have no house property to mortgage. They generally borrow from people with whom they have got social relations, and in case they have none, they have very often to pawn the ornaments of the family. The rate of interest does not go down in the case of people who pledge ornaments in this fashion. There are no banking facilities for them at all and their standard of living as compared to their incomes is too high to permit them to save anything substantial. Various banks are receiving savings at deposits at higher rates but these offers are hardly availed of by the above class of people who have nothing to save.

2588. Masons and carpenters and people of similar status have to pay a very much higher rate of interest, the common rate being 1 anna per rupee per mensem i.e., 75 per cent. per annum. The lenders in the latter case are generally small banias dealing in provisions who generally stipulate with the borrower that they would receive Rs. 1-1-0 at the end of the month. In the case of mill hands in the local mills, it is often found that the mill-hand deals with the bania in the Sabzi Mandi instead of with a provision shop in his own mill, which supplies the goods he wants at a reasonable rate on payment of cash, the reason generally being that the mill-hand has borrowed money from the *bania* in the Sabzi Mandi and gives goods on credit.

2589. In my opinion there is an urgent need for banking facilities especially for the middle class people who generally have not got such improvident habits as the mill-hands have, and who can easily save themselves from the burden of debt if only they get credit on reasonable rates in times of special hardship or of urgent necessity beyond their control, such as sickness, marriage, etc. The most suitable form of banks for this class would undoubtedly be urban co-operative banks, but neither the Co-operative Department nor any non-official agency has so far paid any attention to this side of co-operative activities, their efforts being generally confined to starting co-operative societies in rural areas or among the *chamars*.

2590. Among the special needs of this middle class is an adequate provision of housing in the Delhi City on a reasonable rental, as the rents here constitute generally too large a percentage of the total income of this class of people. Neither has the local Municipality ever paid any attention to the problem of high rents for house accommodation which are paid by this middle class in Delhi. Special effort is necessary on the part of the Co-operative Department to start co-operative housing societies or banks which would advance long term credits on reasonable rates of interest for loans necessary for building houses. The main difficulty in the way of a substantial effort being made in this direction is one of getting suitable land with proper transport facilities connecting the new locality with the main city, and getting adequate funds on loan from the Government for financing such housing societies. So far, the co-operative movement has practically ignored the middle class public servants, the small traders and the small industrialists in the city.

2591. 52. Generally speaking, the agriculturist brings the produce from the village to the *mandi* himself, accompanied by the village money-lender in case he has borrowed money with a stipulation that he would repay it at the time of harvest. It does sometimes happen that the village moneylender suggests to the agriculturist, who has borrowed money from him, to take the produce to his own banker or commission agent in the *mandi*. In none of these cases there is, in the proper sense of the term, any financing of the movement of the crop from the village to the *mandi*. For moving export commodities from the *mandis* to the exporting ports, which in the case of this Province are generally Karachi and Calcutta, there is either the agency of a big exporting firm like Ralli Brothers or that of *artias* of big dealers at the ports. This information is based upon my experience in Hapur, where I have interests. I cannot say about other *mandis* at all, but the system is likely to be the same in the other neighbouring *mandis* also.

2592. The bulk of the importing business in Delhi is financed by the exchange banks, the agencies of the European firms being mostly agencies for booking orders. In a few cases, however, the local branch of a European firm sends for goods on its own account and sells it in the market partly on the basis of cash and partly on that of credit.

2693. From Delhi, goods are distributed to the surrounding mofussil centres through an arrangement between the mofussil small dealer, his *artia* in Delhi and the wholesale dealer in Delhi. The *artia* in Delhi obtains 9 days' credit free of interest from the wholesale dealer, after which period, according to the usage of the market, he must pay his dues to the wholesale dealer if he wishes to retain his position in the market. Formerly, the mofussil dealer used to bring from his village to Delhi the bulk of the amount required for purchasing goods for the mofussil centres, the *artia* only charging him commission for negotiating the transaction with the wholesale dealer and charging interest for a little shortage of money in the case of necessity, but since about the year 1920 the depression of trade in the mofussil has been so great that the mofussil dealer gets the bulk of his goods not on cash, but on credit from the *artia*, who is now called upon to invest a good deal of his money in the business. The present position is one of great difficulty for the *artias*, and a good many of them have closed down their business on this account. It is difficult to suggest a remedy for a situation that has arisen largely on account of the general depression in trade which has affected adversely among others, the mofussil dealers also. Possibly if the mofussil dealer had co-operative credit societies to finance him, the position of the Delhi *artia* would improve materially.

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2594. 55. The principal communities who practise indigenous banking and moneylending in this Province are *agarwal*, *vaish*, including *jains* and *khattris*. Some of the old banking families which at one time commanded great prestige in the local market otherwise have discontinued their banking business during recent years. The Gazetteer of the Delhi District published in 1913 mentions the names of about 7 leading families of indigenous bankers, but an examination of this list clearly shows the great change that has been brought about in the position of these families among the banking firms. For instance, the firm of L. Matwala Mal and Thakardas represented by R. B. Hardiyan Singh in 1912 ceased to do banking business about 25 years ago. The representative of this family, R. B. Madho Pershad is mainly a landlord, who lives on the rentals of his property. The firm of L. Pala Mal and Mutsadi Mal, now known as Chhuna Mal Saligram's firm, has also ceased to do banking. The banking firm of Sheo Singh Rai Nihal Singh represented by R. B. Sultan Singh, though still in the line, has absolutely closed its banking business. This firm is of more than 60 years' standing and only a few years ago its banking activities extended to Khurja, Aligarh, Rohtak, Gwalior, Matra, Karnal and Bharatpur. R. B. Sivi Krishan Das Gurwala, who belongs to a family of bankers founded about the year 1732, when Ahmad Shah Abdali invaded India, ceased to do any banking after the Delhi Durbar. The firm of Gulab Rai Mehr Chand represented by R. B. Paras Das was also a banking firm before the Delhi Durbar, but lives now mainly on the rentals of its property, though it is a family of more than 400 years standing in the indigenous banking world. Similarly the firm of Harsukh Rai Shugan Chand, almost the oldest of the banking families here does no banking at the present time, nor does the family of L. Maharaja Lal mentioned in the Gazetteer do any banking business at the present time. It is only the Dhuliawala family represented by R. S. Mina Mal Somani which continues to do some banking business. The following are the most important firms which deal in *hundis* in this centre at present:—

1. Thakardas Mool Chand, Naya Bazaar.
2. Ram Gopal Omrao Singh, Naya Bazaar.
3. Ram Gopal Bhagwandas, Naya Bazaar.
4. Jot Ram Chander Bhan (Beharilal Kidar Nath), Geoka Mill (Katra Tomaku).
5. Paras Ram Harnand Rai, Naya Bazaar.
6. Sheo Parshad Gur Pershad, Cloth Market.
7. Charanji Lal Deo Raj, Cloth Market.
8. Data Ram Ram Bilas, Cloth Market.
9. Kunj Lal Balkishan Das, Katra Tomaku.
10. Gopal Rai Amba Pershad, Katra Tomaku.
11. Prem Sukh Das Narsingh Das, Cloth Market.
12. Narain Das Bhagwan Das, Cloth Market.
13. Ishwar Das Nirbho Ram, Cloth Market.
14. Nathu Ram Ram Narain, Cloth Market.
15. Sheo Ram Dass Gopal Chand, Cloth Market.
16. Sanwal Das Jankidas, Cloth Market.
17. Johri Mal Giyan Chand, Egerton Road.
18. Prag Das Mangul Sain, Khari Baoli.

19. Tulsi Ram Jugal Kishore, Cloth Market.
20. Chand Mal Gauri Shankar, Pahri Dheraj.
21. Bhagwan Das Chiranji Lal, Cloth Market.
22. Dwarka Das Gulraj, Egerton Road.
23. Panna Lal Sheo Narain, Chandni Chauk.
24. Girdhar Lal Panna Lal, Egerton Road.
25. Lakhmi Chand Ram Kanwar, Egerton Road.
26. Harsukh Rai Munna Lal, Cloth Merchant.
27. L. N. Gadodia, Kucha Naltoi.
28. Lachhmi Narain Benarsi Das, Cloth Market.
29. Gordhan Lal Ram Gopal, Bazar Sita Ram.
30. Nawal Kishore Khairati Lal, Chandni Chauk.
31. Ram Chand Hazari Lal (Kesari Chand Balmokand), Chota Dariba.
32. Puran Chand Ratan Lal, Naugarh.
33. Sohan Lal Harak Chand, Chawri Bazaar.
34. Bhana Mal Gulzari Lal, Chawri Bazaar.
35. Madho Ram Budh Singh, Chawri Bazaar.
36. Ram Lal Sanahi Lal, Katra Khushalraj.
37. Isri Das Benarsi Das, (S. K. D. Baijal).
38. Hukam Chand Jagadhar Mal, Dariba Kalan.
39. Incha Ram and Sons, New Delhi.
40. Nanna Mal Jankidas, Chawri Bazaar.
41. Johri Mal Sanahi Lal, Chawri Bazar.
42. Gordhan Das Sheo Narain, Nilka Katra.

2595. Very few, almost none, of the indigenous bankers and money lenders are doing only this business at the present time, though before the War there were some who did indigenous banking only. Along with trade the indigenous banker does remittance business by means of *darshani hundis* discounts *mayadi hundis* and accepts deposits, but generally speaking, private deposits are becoming rather scarce owing to the competition of the joint stock banks and the growing importance of other investments such as cash certificates, investment in Post Office savings banks, and in landed property, open to the investing public in these days. The discounting of *mayadi hundis* too is declining in volume owing mainly to the insecure and uncertain position of the parties. Besides this, owing to the increase in stamp duty, the persons willing to discount *hundis* prefer to lend money in the form of a deposit with the borrower in order that with a lower duty payable to Government a margin of interest be left to them, the borrowing party being indifferent as to the form adopted so long as the aggregate charges by way of interest and duty remain the same.

2596. Among the other kinds of business the indigenous bankers are having the most important cloth business, grain business, iron business, *kirana* business and gold and silver business in the order of importance in which I have mentioned them.

2597. 57. The indigenous banker does not finance agriculture or industry, his help being confined to trade only. The local mills, however, get money from a few of the indigenous bankers in the cotton season, the

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total volume of their borrowing from the indigenous bankers being limited to about 4 or 5 lakhs a year.

2598. There are many people in Delhi other than the indigenous bankers who regularly buy *hundis* in the market. I can easily recall about 100 such persons.

2599. 58. There is no regular money market in the sense of a place where persons who buy and sell *hundis* regularly meet to carry on their business, and the creation of one would greatly facilitate business. The brokers in the city go round and make the rates known to all dealers. At about 11 o'clock in the morning the market rate is generally known in the various parts of the city.

2600. It is rather difficult to make any thing approaching an exact estimate of the amount of capital invested and the volume of the business of the indigenous bankers, as almost everybody combines some other trade with banking. I will, however, attempt a rough estimate. Of the amount invested in the market in the financing of trade about 25 to 30 lakhs belong to these indigenous bankers as against 50 to 60 lakhs invested by the banks. 60 per cent. of the capital employed by these indigenous bankers represents roughly their owned capital, the remaining 40 per cent. being raised partly by loans from the banks and partly by the sale of *hundis* in the bazaar.

2601. Comparing the expenses of a good indigenous banker with those of a branch of a joint stock bank, I believe the expenses involved in the establishment of an office of an indigenous banker are not even 1/10th of those of a branch of a joint stock bank.

2602. The village moneylender or banker generally keeps his surplus funds whenever he has got any, with the mofussil town banker or his *artia* in the city. Similarly the mofussil town banker keeps his deposits with the big *shroffs* or *artias* in the cities.

2603. The town banker in the mofussil is now-a-days coming into direct relations with the joint stock banks. The big *shroffs* consider the joint stock banks as their most serious competitors in business. These big *shroffs* come to the joint stock banks only when there is a slack season and the banks are prepared to offer on deposits a rate of interest for a whole year or a season higher than the bazar. If perchance in the busy season the market rate of interest is attractive enough, the indigenous *shroff* would take an overdraft from the bank against his fixed deposit and invest it in the market at a more profitable rate. The competition between the indigenous banker and the Imperial Bank is not so severe, in Delhi as it is in *mandis* i.e., Hapur, because the Imperial Bank deals only with approved customers, and therefore any indigenous *shroff* would go more willingly to the Imperial Bank than to the joint stock bank, if he is on the approved list of the Imperial Bank. Business at the present time is generally slack and the indigenous *shroff* has more than ample funds for the business offering itself. The only legitimate ground of complaint of these indigenous bankers against the Imperial Bank appears to me to be that the list of approved customers is a limited one, depending largely on the advice of the Treasurer and Accountant with the result that quite a large number of sound parties are outside this list, and cannot therefore, receive adequate facilities from the Imperial Bank. The difficulty thus lies not with the principle on which the Imperial Bank is working but in the working thereof.

2604. The local branches of joint stock banks have a much more legitimate ground for complaint against the Imperial Bank in so far as it competes with them in the market while receiving a large amount of Government

funds free of interest. In fact there is no kind of banking business in which the Imperial Bank does not compete with the Indian joint stock banks. It has recently begun a new policy of lending even against gold and silver ornaments, which it is widely advertising among the public, with the result that the indigenous banker as well as the joint stock banks are experiencing great difficulty in maintaining their position. In the matter of remittance business, the extension of the branches of the Imperial Bank to mofussil centres has deprived most of the indigenous bankers of a large source of their profit; in fact the remittance business of the indigenous banker between Delhi and the neighbouring *mandis* to the west has practically come to a standstill owing to the opening of the branches of the Imperial Bank at Khurja, Hapur, and Hathras. The competition appears to be positively unfair, as it is the Government money in the treasuries that is being given to the bank free of charge and is being utilised for remittance work.

2605. The forms of *hundis* used here are generally two, *darshani hundi* and the *mudati hundi*. *Mudati hundis* run generally for 61 days, sometimes for 91 days and occasionally for 365 days. Even when the parties intend that the *hundi* should be a *mudati hundi*, the form used now-a-days is that of a demand promissory note or that of a fixed deposit receipt in order to avoid the higher duty payable on *mudati hundi*. In the movement of funds between the *mandis* and the city of Delhi the proportion of *hundis* to rupees and notes used is almost 4 to 1, when cash is employed, it is more rupees than notes on the whole, because the cultivator in the cotton and grain season requires rupees rather than notes, though when money is to be remitted for the dealers, the use of notes is more common.

2606. The promissory notes payable after specified periods are common, but not among the better class of indigenous bankers. They are in use only among small moneylenders and bankers. The bills of exchange written in English and payable after a specified period are in use only among the English knowing persons who are not many.

2607. Promissory notes and *hundis* are written generally in Hindi.

2608. The use of *mayadi hundis* is decreasing and that of *darshani hundis* is increasing. *Mudati hundis* are generally intended as accommodation bills, while *darshani hundis* are used sometimes for accommodation but more often for remittance purposes.

2609. The *hundis* are drawn generally by no other class than traders, as the *hundis* of other classes would not be discounted in the market. *Hundis* can be used by other persons for the purpose of raising funds, but it is seldom that such drawers of *hundis* get any facilities for discounting in the market. *Hundis* cannot be used for advances to cultivators, as the *hundi* by itself cannot provide any security other than the standing of the person in the market. It is only well-known traders who have this standing in the local market.

2610. Generally *mayadi hundis* are held by the persons who purchase them until they are due for payment. When necessity arises for discounting such *hundis*, it is done locally and not at other centres. Sometimes, however, a person may lose his credit in Delhi, but still retain some credit at Calcutta or Bombay, in which case his *hundis* will be discounted at outside centres. The indigenous bankers discount most of the *hundis* discounted locally, though the banks are also getting a substantial share of this business now-a-days.

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2611. A standard form of *hundis* in English would greatly facilitate business in the *hundi* market, as multiplicity of scripts and variety of forms cause a good deal of confusion. As cheques in English are actually in use now-a-days even by Urdu knowing people, I do not anticipate any difficulty in the use of a standard form of *hundi* in English.

2612. 60. The indigenous bankers lend on promissory notes, with or without the pledge of ornaments, or on *mudati hundis* or on mortgages of property. Cash credits are quite common between the indigenous bankers themselves. The village money-lender does not get cash credit from the mofussil town indigenous banker, nor the mofussil town indigenous banker from the city *shroff* in Delhi.

2612a. 61. Some of the indigenous bankers invest their own capital only; some do a considerable amount of business with the money raised by means of deposits kept with them; others earn a commission by purchasing and selling *hundis* in the market simultaneously. This is true only of the city *shroffs*, the village money-lender or the mofussil banker being restricted to the use of his own money only.

2614. 62. Generally the fixed deposits with the indigenous bankers are for 60 days, the rate of interest payable varying in different seasons between -/4/- per cent. per mensem in the month of June or July and -/10/- per cent. per mensem in the month of October or November. The *sahukars* borrow from one another at the current deposit rate in the market. Between the *sahukars* there is no question at all of a tangible security in addition to the credit of their name in the market.

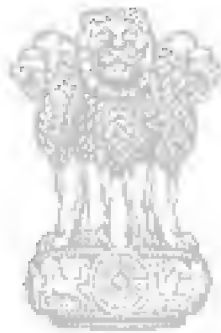
2615. 64. There is no prejudice in this city against the indigenous bankers at all; they have a general reputation for fair dealings. If, however, a particular indigenous banker enjoys the reputation of generally buying *hundis* in the market with his own capital, there will be a prejudice created against him in the market if he sells *hundis* at any time in order to raise money. He would in such cases prefer to borrow at a much higher rate of interest from a joint stock bank than raise funds by selling a *hundi* in the market.

2616. 65. There has been no purely indigenous banker who has failed since 1920, but quite an appreciable number of indigenous bankers who were engaged in business also have failed since the War. I can easily recall at least a dozen. The business of the indigenous banking community is generally declining.

2617. 66. The indigenous bankers have got sufficient working capital to meet all legitimate demands for safe accommodation, but owing to the general depression in business at the present time and the general uncertainty of the position of various parties they have to be cautious and to refuse accommodation.

2618. 67. There are ample facilities for internal remittance (by way of *hundis* on the various centres) available in the market by way of cheques offered on their branches by the joint stock banks and by way of supply bills offered by the treasury or the Imperial Bank, apart from the facilities for remitting money by means of currency notes through insured covers. The *hundis* payable at centres with which Delhi has got regular commercial transactions can be obtained from the indigenous *shroffs* as well as the banks in Delhi. These places are mainly Calcutta, Bombay, Karachi, Cawnpore and Amritsar. The drafts on centres like Madras, Lahore, Peshawar, Indore, Ahmedabad, Nagpur, Simla, Colombo, can only be obtained from the joint stock banks.

2619. The Imperial Bank has quite recently cancelled the concession of free transfer of funds below Rs. 5,000 to their customers and to the joint stock banks. The system was working quite satisfactorily, and one sees no reason why this concession has been withdrawn. The indigenous banker engaged in remittance work has also a legitimate grievance against the Imperial Bank in so far as no distinction is made by the Imperial Bank between the ordinary merchant customer and the indigenous banker in the rates which they charge for supply bills on the treasuries. It should not be difficult to give some kind of rebate to an indigenous banker whose purchases of supply bills or Telegraphic Transfers in a year amount in the aggregate to above a certain figure, in order to link up the indigenous system of remittance with the supply bills' system and to prevent unfair competition of the Imperial Bank with the indigenous bankers. This will have the indirect effect of increasing the volume of supply bills demanded from the Imperial Bank and the treasuries, as the indigenous banker would be able to



सत्यमेव जयते

Year.	Month.	Rate p r me sem.	
		l.s.	a. p.
1929	January and February	0	8 0
	March and April	0	9 0
	May, June, July and August	0	6 0
	September and October	0	9 0
	November and December	0	10 0
1930	January	0	7 0

2624. These are the rates for *hundis* of 1st and 2nd class *shroffs*; other *shroffs* find it very difficult to get cash for their *mayadi hundis* in the market. The Imperial Bank of India's *hundi* rate does not affect these bazaar rates at all. They are almost always divergent.

2625. 72. I believe it is very desirable to make the indigenous bankers agents of joint stock banks or the Imperial Bank of India in places where branches of joint stock banks do not exist. It will also be desirable to amalgamate in some places the business of indigenous bankers into a joint stock bank owned and controlled by local indigenous bankers, but I do not think this is possible without some special inducement being given by the Government, such as a portion of free funds now placed at the disposal of the Imperial Bank of India; the privilege of keeping the current accounts of Municipalities and District Boards or special low remittance charges for supply bills.

2626. 74. The indigenous banking community would be very reluctant to accept such a measure.

2627. 76. The indigenous banking system in Delhi is not connected with the principal money markets except through their *artias* in Calcutta and Bombay.

2628. 77. It is the competition of the Imperial Bank and the Exchange Banks in larger centres that is hitting the indigenous bankers very hard. So far as the Indian joint stock banks are concerned they cannot afford to give better facilities to indigenous bankers, and the competition between them in my opinion is a fair one. It is only because the Imperial Bank and the Exchange Banks get cheap money that they are able to oust the indigenous bankers from the places where they have opened their branches.

2629. 84. There is no cheque system among the indigenous bankers here. I know of only one instance of an indigenous banker who allows cheques to be drawn on him, namely, Incha Ram and Sons, who has recently opened a branch in New Delhi.

2630. Every class of persons in this city are using cheques now-a-days. Most of the Indian firms keep their accounts with the Indian joint stock banks, excepting those who are importers of British goods, who generally deal with the exchange banks. Cheques are written in English. The extension of the use of cheques has been quite rapid since the abolition of the stamp duty on cheques.

2631. Government should accept cheques more freely in payment of taxes and also in satisfaction of decrees on the presentation of a guarantee or a certificate of account from the bank. The Post Office should also accept cheques for deposits in their savings bank. The railway companies ought to accept cheques drawn by persons to whom a certificate of approval for this purpose is granted.

2632. I do not wish the Post Office to open cheque accounts, as they will be directly competing with the joint stock banks.

Notes of Prof. H. L. Chablani's interviews with the Manager and Assistant Manager of the Punjab National Bank Ltd., Delhi, dated the 14th January and 25th January 1930.

DEPOSITS AND INVESTMENTS.

2633. *Deposits and investments.*—Fixed deposits are generally for 6 or 12 months. Only a small percentage of deposits is for more than one year. The percentage of the fixed deposits to Savings Bank deposits and current deposits with us was 77 : 14 : 9 for the half-year ending 31st December 1929; 56 : 7 : 37 for the half year ending 31st December 1928, 84 : 5 : 11 for the half year ending 31st December 1925 and 84 : 3 : 13 for the half year ending 31st December 1922. Only a few indigenous *shroffs* and bankers keep their deposits with us. Our depositors consist of all classes of people such as contractors, businessmen, member of various professions and other general public.

The *hundis* discounted by our Bank are largely *hundis* on ports and a few inland commercial centres though we do a certain amount of discounting of usance *hundis* on Delhi as well as other stations. As between inland commercial centres and the ports, the bills are drawn largely on ports. All of them are genuine trade bills either accompanied by direct evidence of trade transactions such as railway receipts or drawn generally by parties whom we know are *bona fide* traders. We do not discount *hundis* which are pure finance bills. The amount of bills of any particular client discounted by us depends on the limits fixed by us for each party according to his general credit and position in the market and not on the amount of his trade transactions in any particular season as it is very difficult for us to know exactly the volume of *bona fide* trade transactions of each party, but in cases where we are satisfied as to this we are quite prepared to afford them further facilities.

2635. April, May, June and October, November, December are the months in which the bank business increases in Delhi owing to the corresponding increase of business in the market. The grain business in the first three months and the cotton business in the last three months are the chief factors that give rise to the business in the market. July, August and September are the months in which the market is quite dull there being no business owing to the rain.

During the busy season if more money is required we get it from the head office, Lahore. Similarly during slack season whenever there are surplus funds with us we remit to our Head Office to be utilized at other places. January, February and March are the months of ordinary course of business.

The amount lent by the Bank on mortgage of property during the years 1922 to 1929 was as follows* :—

*	*	*	*
*	*	*	*

2638. *Remittance Business.*—We do not avail ourselves of the remittance facilities afforded by the Imperial Bank for those stations where we have not got our branches because customers for remittance to such places will not come to us as they will have to pay charges of two banks.

2639. The following were the amounts* of demand drafts on our offices at other commercial centres issued by us to our customers. We generally use the agency of the Imperial Bank for remittance business.

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*NOTE.—The figures supplied are to be treated as confidential and have not therefore been printed.

The Punjab National Bank Ltd., Delhi.

2640. *Competition between different kinds of Banking Institutions.*

—Previous to the amalgamation of the presidency banks as the Imperial Bank the former did not compete with the Indian joint stock banks in many lines of banking business. For instance they never advanced money against ornaments, grain, cotton and merchandise, which the Imperial Bank is now doing. Their remittance charges were much higher and a certain margin of profit was left to us in remittance business. Similarly their drawing charges were also favourable to the Indian joint stock banks. Similarly the Imperial Bank advances loans at rates which we cannot afford to charge because of the high rate of interest that we pay on deposits whereas their funds are received either free or at a nominal rate of interest.

2641. The exchange banks on account of their prestige, their long standing and the facility of getting money in foreign countries, where they have got their head offices, are able not only to attract deposits at a lower rate but to lend money at a cheaper rate than the Indian joint stock banks. It is also a policy followed by many of them to encourage merchants to deal directly with them rather than through the Indian joint stock banks by charging them sometimes slightly lower rates than they charge to the joint stock banks for retiring their drafts but this applies only to places other than market centres and where there is generally one exchange bank only.

2642. We do not feel the competition of the indigenous bankers, because they carry on their business largely in cantonments and other places where there are no branches of joint stock banks; also because quite a substantial portion of their business eventually passes through us.

2643. The co-operative banks compete with us in deposits only so far as they pay a higher rate of interest. The rates offered by the Post Office Savings Bank are not high, but people deal with them only because of the reputation and stability enjoyed by them as a Department of the Government. Government itself competes with us in the market by issuing 3 months' and six months' treasury bills on a high rate of interest which affects our deposits. The treasury bills are issued not in the slack season when the banks would find them a profitable investment for part of their funds, but in the busy season when the banks can find more profitable employment for their funds and would like to have more deposits with them to be utilised in financing trade.

2644. *Rate of Interest.*—There are no call loans in Delhi nor are there any inter-banking transactions here.

2645. The rate of interest charged by us to first class parties on pro-notes is $6\frac{1}{4}$ per cent. per annum in the busy season and to second class parties it varies between 8 to 9 per cent. per annum. The rate of interest on loans against house property is generally 9 per cent. per annum and in no case less than 8 per cent. We do not advance loans against the security of agricultural lands. We generally get the stipulated rate of interest from our clients even after the decree up to the date of realisation. In case there is no express stipulation to this effect, the courts award generally 6 per cent. The *hundi* rate is half a per cent. less than that charged on pro-notes, because the borrower has to pay a higher stamp duty.

2646. We do a certain amount of collection business against railway receipts presented by our customers who export goods from Delhi to ports and all other stations where we have got our branches, and sometimes to outside India.

2647. The following were our *hundi* rates during the year 1928-29.

	Rate per mensem.					
	Rs. a. p.			Rs. a. p.		
April	0	9	0	to	0	12 0
May	0	9	0	„	0	12 0
June	0	9	0	„	0	12 0
July	0	9	0	„	0	11 0
August . . . . .	..			„		..
September . . . . .	..			„		..
October	0	9	6	„	0	11 0
November	0	9	0	„	0	12 0
December . . . . .	..			„	0	11 0
January	0	9	6	„	0	12 0
February	0	9	6	„	0	12 0
March . . . . .	..			„		..

2648. The suits that we have sometimes to file in the civil courts against people who borrow money on pro-notes do not take very long to decide. On an average a suit takes about 6 months out of which 3 months only are taken in the service of summons. Much longer time is taken in the execution of decrees, sometimes years.

2649. *Cheque Habit.*—Small traders, contractors and educated persons use cheques. The forms of cheques are only in English, but the customers who do not know English can use Urdu or Hindi and we accept cheques in which the entries are made in either of these languages. The number of non-English knowing persons who use cheques is comparatively small. The abolition of stamp duty on cheques has led to an increase in the use of cheques, and also in the number of people who use cheques.

Notes of interviews by Prof. H. L. Chablani, with L. Janki Pershad, Munim of R. B. Sultan Singh, regarding Questions Nos. 55-75 of the Questionnaire, on 17th and 22nd January 1930.

2650. 55. Almost all the indigenous bankers and money-lenders in this city combine banking with trade, mostly in grain, in cloth, in sundries and in gold and silver. They belong to the following communities:—*khatri*s, *bani*s and *marwaris*.

2651. 57. The Delhi indigenous bankers and money-lenders do not advance money to agriculturists nor do they finance industries.

2652. There is no regular place here where persons who buy or sell *hundis* regularly meet to carry on their business, but the brokers do go round daily to know the trend of the market, and one comes to know (at about 10 or 11 o'clock) the *bazar* rate every day. If there is a dispute about a particular *hundi* transaction, the *panchayat* of these indigenous bankers meets at L. Shri Krishan's place to settle it up. This *panchayat* has got a regular set of rules.

2653. The *hundis* issued here are for various purposes:—

- (a) for earning commission out of remittance business between one place and another;
- (b) for financing *bona fide* trade transactions in which the goods are moving from one place to another;
- (c) for accommodating some client and earning a commission for lending on the credit and security of one's name, and

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(d) for obtaining credit for a few days, say 4 days. For instance, a man may sell a *hundi* on Bombay in the Delhi market to day and remit money to the Bombay party by a telegraphic draft through a bank on the 4th day, the *hundi* taking two days in transmission and being delayed for payment for two days more in Bombay.

2654. 58—62. The only connection with the joint stock banks including the Imperial Bank that these indigenous bankers have got is that they sell to the banks *darshani hundis* in their hands at times when they need money. They get more credit in times of need from the joint stock banks than from the Imperial Bank. Their banking business is only a sideshow of their main business. Quite a large number of these bankers are unable to recover their loans; in fact in these days money cannot be recovered except through the court which involves considerable expense and trouble. Even when a house or other property is mortgaged, a number of disputes arise as to the title; minors put in a claim; the wife puts in a claim, with the result that much of the business has ceased to be profitable. Apart from the indigenous bankers, a number of people, especially pleaders who have got money, do buy *hundis* in the market. The most substantial of these indigenous bankers do not accept deposits, because they do not want to pay any interest on them. It is only the lesser ones who have not got substantial amount of other people's deposits with them. About five or six of these indigenous bankers accept even demand deposits, i.e., deposits taken with the undertaking to repay at any time when the depositor asks for the return of his money; and on these demand deposits they pay a very low rate of interest. Excepting in the case of Khari Baoli bankers, there is no system of current deposits, i.e., deposits to which a depositor can add when he pleases as well as withdraw when he pleases. The indigenous banker does not give the depositor any document to show that he has a demand deposit or a deposit in current account at all. As a matter of fact if a receipt is demanded from an indigenous banker, he would resent it as a reflection on his honesty. It is only the persons in whom people have great trust who receive deposits. The depositor does not himself go to the banker, but sends his own man to get the money when he wants. If he wants to transfer the deposit to some other person's name, the depositor's agent comes and gets the entry made in the name of the person to whom the deposit is to be transferred. If the deposit remains as a fixed deposit, interest is generally paid at the rate of Rs. -/7/9 per cent. p.m.

2655. Against deposits the indigenous bankers keep a small amount of cash, but that is never adequate to pay the depositors if they ask for the return of their money at once. The rates of interest allowed by these bankers on deposits do not vary from season to season as in the case of joint stock banks. The *sahukari* rate is exactly the same.

2656. Usually the loans on pro-notes are advanced only for two months. The rate of interest on these is not a fixed quantity. It varies from 8 to 10 annas per cent. p. m. but in these days the rate of interest is only 7 annas per cent. p. m. For the four months of the rainy season the rate of interest goes down even to -/3/- or -/3/6 per cent. p.m. every year. These rates have continued practically unchanged for the last 8 or 10 years.

2657. The rate of interest on the mortgage of house property varies between -/12/- and Re. 1/- per cent. p.m. according to the stipulation

and the standing of the parties. Now-a-days about -/12/- per cent. p.m. is the usual rate. These rates have remained, practically unchanged for the last 20 years.

2658. In Delhi city no indigenous banker advances money on the mortgage of agricultural landed property.

2659. It is very rarely in Delhi and in the Punjab that the courts award interest *after the date of the decree*. Occasionally in cases involving large amounts the courts award interest owing to the special exertions of a pleader, but it is never more than -/8/- per cent p.m. In the United Provinces however the courts generally award interest after the date of the decree at the rate of -/8/- per cent. p.m. This has continued to be the case for the last 20 years.

2660. On ornaments the rate of interest charged is between -/12/- and -/14/- per cent. p.m. These have continued to be the rates for the last 15 years.

2661. Loans against verbal security are only for 8 or 10 days, as money is not advanced for longer periods on verbal security only. The rate of interest on such short period loans is generally about -/8/- per cent. per month.

2662. The *sahukari* rate of interest is -/7/9 per cent. p.m. This has continued to be the same for the last 50 years and anybody who pays a higher rate of interest will cease to be considered a *sahukar* in the *bazar*.

2663. The rate of interest on *mayadi hundi* of 60 days varies between -/4/- per cent p.m. in the rainy season and -/12/- per cent. p.m. in the busy season, but this year the business is slack and even in the busy season the rate has not gone beyond -/7/- per cent. p.m. Partly owing to insolvencies in recent years, partly owing to Hindu-Muslim troubles, on account of which many *Hindu* bankers have curtailed their business with the Muslim dealers in Saddar Bazaar, and partly owing to the increase in the rate of stamp duty on *mayadi hundi*, the number of such *hundis* has declined very much.

2664. 66. Most of the indigenous bankers refuse demands for accommodation not because of insufficiency of their capital, but because there is lack of trust generally now-a-days.

2665. 67-68. Four years ago the bulk of the remittance business here was done by the indigenous bankers partly by means of *hundis* and partly by means of notes in insured covers through the Post Office, but now-a-days the competition of Indian joint stock banks has decreased their remittance work. This kind of remittance business of the indigenous bankers has been seriously affected by the opening of branches by the Imperial Bank. The indigenous bankers do not buy supply bills from the Imperial Bank.

2666. In the grain and cotton season lakhs of rupees in coin used to be sent from here to places like Khurja, Chandausi, Hathras, and Aligarh on the one side, and Bhatinda, Gidarbahar and Rohtak on the other. This kind of their business has practically ceased in the east now-a-days on account of the new branches of the Imperial Bank, as merchants of those places now give *hundis* to the Imperial Bank and get coin from them, but on the Bhatinda side it still continues. Even now about 5 to 7 lakhs of rupees in actual coin are sent through messengers to Bhatinda and other *mundis* to the west.

2667. In the grain season money flows from Delhi city to the following *mandis*:—Rohtak, Sarsa, Hissar, Bhatinda, Chandausi, Aligarh, Ghaziabad, Hapur, Deoband and Shamli. Money used to flow during

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the cotton season to Khurja, Chandausi, Hathras, Aligarh etc., but for the last two years this has stopped. The main cause of the decline in remittances from Delhi is the starting of the branches of the Imperial Bank in the various places towards the east, but money still continues to flow towards the west, because there are no branches of the Imperial Bank there. The cotton season lasts only for three months, September, October and November, while the grain season begins in April and lasts for about 2½ months. The method of remittance was as follows:—Our clients in Khurja and other *mandis* used to come here and sell us *darshani hundis* on Bombay and Calcutta. We used to give them either our own cash or cash obtained by selling these *hundis* to the joint stock banks, charging our commission for accepting the *hundis* at the rate of 1 anna per cent. The banks after three days got their money back in Bombay or Calcutta, and in case they financed piecegoods trade also, they got their money back again in Delhi by turning into cash the *darshani hundis* from Bombay on the piecegoods merchants here. But some of the banks, for instance, the Imperial Bank did not finance the piecegoods trade at all, and in their case money sent out from Delhi did not return to Delhi.

2668. The bills of exchange payable more than one year after date or sight were at no time common here; there used to be a few of this sort, but the *bazar* did not look with favour upon any *hundi* of longer duration than 60 days.

2669. The *hundis* emanating from Delhi can easily be discounted in this centre and are not sent to any other centre for discounting. Most of these *hundis* are bought by persons who have got their own cash to invest, and they keep these *hundis* with themselves till they are matured, and in case they want cash, they sell them to the banks. The *mudati hundis* have declined in quantity not only on account of the increase in stamp duty, but also on account of the fact that a number of people have become insolvent and there is no sense of security in the market.

2670. The *hundi* dealers who used to sell us *darshani hundis*, used to have from us rupees in coins and not in notes.

2671. Now-a-days stamped receipts are more common on account of the increase in stamp duty on *hundis*.

2672. 69. In the rainy season much less than half the money in the hands of the indigenous bankers finds employment in Delhi or in the mofussil centres. Money does not flow on this account to Delhi from the mofussil centres during the rainy season, as the season is slack in Delhi itself.

2673. 70. The market is not bound by the Imperial Bank of India's *hundi* rate at all. It is rather the Imperial Bank's rate that sometimes changes in accordance with the conditions of the *hundi* market here. If, however, for any cause operating outside Delhi, the Imperial Bank of India changes its *Hundi* rate in accordance with the conditions prevailing in Bombay or Calcutta, the market does not follow the Imperial Bank rate at all.

2674. 74. The indigenous banking community will dislike intensely any measure for regulating their operations and giving publicity to the same, as no one in India would like to reveal to others his own position. The business in India rests upon general reputation and no body likes to do any thing that might have the slightest effect on his general repute in the market.

Interviews with grain and cotton merchants in Rui-ki-Mandi, Sadar Bazar, Delhi.

The representative of the firm of Kashiram Chanderbhan.

2675. This *mandi* deals in practically every kind of grain and cotton produced in the *Suba* of Delhi. Formerly, produce of the villages round about Delhi within a radius of 100 miles, used to be marketed in this *mandi*, but this has practically ceased since *mandis* have been established in Sonapat, Rohtak and Bahadurgarh. Among others, following are the neighbouring villages from which produce comes to this *mandi* for sale:—

Narela, Badli, Shampur, Haiderpur, Nangloi, Kamardi Nagar, Moghulpur, Klan Khurd, Pitampura, Garipira, Chhuora Hirankhurdana, Ranikhera, Rasulpur, Mundka, Ran Hala, Madhipur, Nehrpur, Rithala, Saraspur, Azadpur, Bhalswa, Jehangirpur, Nangli Kuna, Alipur, Mahrauli Chiraghdili, Adhehani, Ladosarai, Chatapur, Hauz khas, Manirka, Palan, Bijwasan, Hastal, Bindrapur and Dabri. Of these, Mahrauli, Chiraghdili, Adhehani, Ladosarai, Chatapur, Hauz khas, Manirka, Palan, Bijwasan, Hastal, Bindrapur and Dabri always send their produce both to this *mandi* as well as to Khari Baoli in the City.

Among the smaller *mandis* in the *Suba*, viz., Narela, Najafgarh, Bahadurgarh and Shahdara, Shahdara sends practically nothing to the city of Delhi, its business being generally limited to what is required for its own consumption; but the other three do send produce to the city *mandis*. *Zamindars* in villages on the other side of Najafgarh and Bahadurgarh go to these *mandis* for marketing, but in case the rate in Delhi is more favourable to the seller to the extent of 6 pies per rupee they generally come to Delhi direct in spite of the distance. On this side of Najafgarh, *zamindars* prefer to go to Delhi direct; they have their own transport arrangements which cost them less to bring the produce to Delhi than it would cost the grain dealer in Najafgarh or Bahadurgarh. The dealers in the mofussil *mandis* send about half the grain they purchase to outside markets. In case of wheat, however, nearly 12 annas in the rupee is sold in the local *mandis* and hardly 4 annas come to the Delhi market and that too only in a good year.

The zamindar-sellers in the mandi at the time of the enquiry.

2676. Inside the *mandi*, a number of *zamindars* were found selling for cash the produce which they had brought to the market in their own carts. At the shop of Papiymal Chhanulal, 2 *Jat zamindars*, by name Khushiram and Gangaram, had come to sell their produce. Khushiram had come from the village Niwada, 7 *kos* from Delhi and 3 *kos* from Najafgarh. Asked as to why he had come to Delhi to sell his produce, he replied that there was no *bania* dealer in his village and that it was convenient to him to come to Delhi because he had not only to sell his produce but also to purchase some things for himself which he could not do in his village. He further stated that although he was indebted to a *bania* in Najafgarh he was not at all compelled to sell his produce to him and that he would pay him such amount as he could afford to pay out of the proceeds of the sale in Delhi. Gangaram *Jat* had come from Nirani, 3 *kos* from Delhi. At the shop of Shival Prabhudayal, one Naunda had come from Jwala Heri, 5 *kos* from Delhi, Ramjilal had come from Kesopur 6 *kos* from Delhi and Premsingh had come from

Grain and Cotton Merchants of Rui-ki-Mandi.

Khiala 6 *kos* from Delhi. Ramjilal stated that he was indebted to *mahajans* at Najafgarh, and Nangloi Syed. Asked why he did not sell his crop to these *mahajans*, he said that the *mahajan* at Nangloi Syed had asked him to sell the produce at Delhi and pay him in cash instead of in produce. At the shop of Charanjilal Batanlal one cart load had been brought by 3 *zamindars*, i.e., Khesan, Bikha and Bhola, from the village of Dagarpur, Tehsil Bagpat. District Meerut about 9 *kos* from Delhi. At the shop of Lachminarain Surajbhan, Allaudin had come from Naun in the District of Gurgaon about 20 *kos* from Delhi. Dalipsing had come from Samipur 6 *kos* or about 8 miles from Delhi, in the Delhi Tehsil, and Nathan had come from Madhepur 4 *kos* from Delhi. At the shop of Gopinath Ram Kishen, produce was sold by one Chinta Lambardar of Jagatpur in Delhi *Suba* about 3 *kos* from Delhi.

Difference in price and expenses for marketing in the mandi.

2677. The dealers and the *zamindar*-sellers who were questioned all agreed that there is generally a difference of 9 pies per rupee in the prices of grain in Delhi and *Rui-ki-Mandi* and those prevailing in the mofussil *mandis* of Narela, Najafgarh and Bahadurgarh. The dealers were unanimous in the view that it does not and would not pay the mofussil *bania* to buy in the mofussil *mandis* and sell the produce in *Rui-ki-Mandi*. He has to pay 2 annas a maund on carriage of goods, 6 pies per maund terminal tax in the city of Delhi, 3 pies per maund for packing, weighing, sewing, etc., and 3 pies per rupee or one anna per maund as commission charges to his *artia* in Delhi. It does, however, pay the *zamindar* to bring the produce to Delhi as transport arrangements are his own. If, however, the *bania* has to recover his money from a *zamindar* client, he does accept grain at the *mandi* price and sell it through his *artia* at a loss of 5 per cent. in the aggregate. In the case of cotton, both the mofussil dealers and the *zamindars* bring the produce for sale in the city of Delhi. Most of the cotton produced in the *suba*, say about 12 annas in the rupee comes to the Delhi city market and roughly half is brought by the *zamindars* and half by the village dealers. The mofussil *bania* dealer in cotton has to pay 6 annas per maund on cartage, six pies on coolies and two annas per maund on weighing. None of these charges are borne by the *zamindar* sellers at all. The local mills take 40½ seers for a maund which means a loss of roughly 2 anna per maund. Six pies per maund are deducted as *dalali* by the local mills and seven pies per maund as *bandhai* or weighing by the local mills, six pies per maund is paid as commission to the *artia* and six pies per maund as terminal tax; and about half a seer per maund or 2 annas per maund is the loss on account of shrinkage. The total cost on account of all these is roughly Re. -/14/6 per maund, while according to the *mandi* dealers supported by *Zaildar* Krishen Ram, who was present in the *mandi*, there is generally a difference of about a rupee per maund in the price of cotton at Narela and Delhi leaving about six pies to 2 annas profit to the village dealer. Against this small profit, there is the risk of loss if the price on the next day is lower than on the preceding day when he purchased cotton at Narela.

Proportion of the crop sold in Delhi.

2678. The total amount of cotton produced in the Delhi Tehsil is not enough for the local demand of the mills and cotton comes for sale into Delhi from Ghaziabad as well as from Meerut District.

2679. For the last two or three years, the wheat crop has failed in Delhi, but in a good year about 65 per cent. of the wheat crop in Delhi *Suba* comes to the Delhi market while the rest is sold or consumed in the smaller mofussil *mandis*. Of this 65 per cent. 40 per cent. is marketed through mofussil dealers at one stage or the other, while 25 per cent. is brought into Delhi for sale by the *zamindars* directly. *Jau* or barley is generally grown on Najafgarh and Narela side. About 50 per cent. of the produce remains in the local *mandis* of Najafgarh and Narela at the harvest time, while the other half comes to the Delhi market at the harvest time. If there is demand outside Delhi, about half of what is sold in Najafgarh at the harvest time is sent to outside markets through the Railway Station Kishengunj; but in case there is no outside demand this also eventually finds its way gradually to the Delhi market. The produce brought for sale to the Delhi market at the harvest time comes through the *zamindars* themselves.

2680. Gram, sarson, maize, muttar and toria are other staple crops sold in Delhi market, but this year very little of this has come to the market so far.

Storage.

2681. *Zaildar* Kishen Ram and the dealers in the *Rui-ki-Mandi* were of opinion that about 25 per cent. of the *zamindars* do actually store produce for six months in the hope of being in a position to sell at a favourable price later on. When pressed to mention some names they stated that one Bahadur Singh of Moghulpura Kalan actually stored produce for as long as 24 months and suffered a heavy loss on this account as the price of the produce was four seers a rupee at the time he stored it and is 10 seers a rupee at the present time. They mentioned also one Ratansingh of Moghulpura, one Harnam of Kundangari in the Sonapat Tehsil of Rohtak District and one Dalip jat in the village of Khewra in Sonapat Tehsil as instances of *zamindars* who are in the habit of storing their produce.

2682. The mofussil *mandi* dealers who sell their produce through the *artias* in *Rui-ki-Mandi* do not wait for more than two or four days to sell the produce, as no *artia* in *Rui-ki-Mandi* stores his produce in order to sell it at a higher price later on.

The artia's profit.

2683. The dealers or the *artias* in *Rui-ki-Mandi* pay the *zamindars* ready cash, while they sell the produce to the buyer on credit for eight days, thus losing interest for 8 days. The seller of the produce has not to pay any commission to the *artia*; this is paid entirely by the purchaser and amounts to only 3 pies per rupee. The seller whether *zamindar* or a dealer has not only to pay nothing to the *artia*, but actually receives from the *artia* about 2 annas per cart which on an average weighs about 20 maunds and is of the average value of about Rs. 80/ in the case of wheat and Rs. 40/ in the case of *jau*. The *zamindar* seller also gets from the *artia* free tobacco, one picc for *achar* if he has brought his own food and sometimes food also. The *artia* has to pay in addition to these one anna per cart as *chowkidari* to the owner of the *mandi* or the *sarai*, and 2 annas per cart as *tulai*. Over and above this, the *artia* has to stand godown charges for 15 days as the buyer is allowed to keep goods in the godown free of charge for 15 days. All this has to be met out of the commission of 3 pies per rupee. Out of the balance which remains, provision has to be made for shop expenses and for the insurance against loss on account of bad parties. Interest is charged by the *artias* after eight days credit to their clients at the rate of 8 annas per cent. per mensem.

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Financing of artias and interest charges.

2684. There are 35 shops of *artias* in *Rui-ki-Mandi* and Medgunj in the city of Delhi, out of which only 5 dealers do business entirely with their own money. The remaining have to borrow to the extent of nearly 12 annas in the rupee of their capital for which they have to pay interest at rates varying between -8/- to Re. 1/- per cent. per mensem to the city *sahukar* according to the credit and standing of each party.

2685. Weights in the *Rui-ki-Mandi* as well as in the mofussil *mandis* are all standard weights—80 tolas making a seer. Both the dealers and the *zamindars* present agreed that there was no excess charge in weighing and that nothing more than 40 seers were actually weighed for the price settled for 40 seers.

Notes of interview by Professor H. L. Chablani with grain and cotton merchants of Naya Bazar, Delhi.

MR. SANTNARAIN GURWALA ASSISTED AT THE ENQUIRY.

2686. *Lala Ram Gopal of the firm of Seth Ram Gopal Umrao Singh, Naya Bazar, Delhi.*—For the last two years, very little grain has been coming to the Delhi market from the villages in Delhi as the crops have been very unsatisfactory. In an ordinary year the villages in Delhi Tehsil send about a lakh of maunds of grain to the Delhi market, consisting mostly of wheat, barley, gram and *toriah*. The mofussil places in the Punjab, particularly Wazirabad, Gujranwala, Khanka-Dogran (District Shekhupura) and Gojra mandi in Lyallpur send on an average about 20,000 maunds of wheat a month, while on the eastern side places in the Districts of Cawnpore, Etah (District Jalaon) and Ettawah send about 5,000 maunds of wheat a month. About 1,000 maunds of *moong* per month comes from Cawnpore while *urd* comes from Khursana in the District of Bilaspore. About 50,000 maunds of wheat a year are imported into Delhi from Moradabad, Chandausi, Hapur, Ghaziabad and Amroah. The total amount of cereals sold in Delhi varies between 80,000 and one lakh maunds a month, 1/3rd of which is sent out to villages round about Delhi and 2/3rds is consumed in Delhi itself. Nothing is exported to Bombay or Karachi. There are no *lhaties* here nor any *kothas* for storing the produce; grain is stored in *boris* which are kept in the godowns of the shops of grain dealers in Naya Bazar.

2687. *Seth Thakur Das of Naya Bazar.*—The grain merchants in Naya Bazar, Delhi, do mostly *artia* work. They do not buy and sell on their own account, but sell on behalf of their clients charging them a commission. The *zamindar* clients deal mostly with dealers in *Rui-ki-Mandi* and Med Gunj in Sadar Bazar or go to Chauri Gunj and Pahar Gunj. The dealers in Naya Bazar get grain mostly from outside; very little, at the most 1 anna in the rupee comes from the Delhi Tehsil. The *artias* advance to their clients amounts varying between 12 to 16 annas in the rupee of the value of the produce on the security of the produce entrusted to them. The clients take sometimes actual cash and sometimes draw *darshani hundis* on the *artia*. Interest is charged at the rate of -7/9 per cent. per mensem. Practically every client takes some advance. The produce is generally kept with them for about 20 days or one month before it is sold. It is very rare to keep it unsold for three or four months as no one wishes to take the risk of fluctuations in prices or deterioration on account of the surface moisture. The godown charges of the *artia* come to Rs. 3/2/- for a hundred bags (each bag weighing about 2½ maunds) per month. This is paid by the seller. The charges

paid by the buyer are Rs. 2/8/- per Rs. 100 worth of produce sold, out of which -/15/- annas are deducted by the buyer on account of the charges to be paid by the buyer as brokerage, weighing charges, remuneration of coolies, etc., so that the net charge is one rupee and nine annas per cent, or 3 pies per rupee. As the buyer pays money only after 8 days, this includes interest for 8 days and the net charge to the buyer is Rs. 1/7'0 per cent. Out of this the *artia* has to pay 1/10th to the seller and to meet expenses of boarding and lodging of the selling clients who stay with the *artia* sometimes even for 15 days or a month at a time. The clients have to be informed also of the daily fluctuations in prices. While the charges for telegrams fall on the seller, the postal charges of postcards and letters fall usually on the *artia*. On the whole, the net earning of the *artia* does not come to more than Re. 1 per cent. out of which the *artia* has to meet losses on account of bad parties.

2688. A number of *zamindars* now-a-days bring produce to the mofussil *mandis* like Bahadurgarh, Narela and Sonapat and pay cash to their creditors, from whom they have borrowed money, out of the proceeds of the sale. In the mofussil *mandis* there are also a number of Muslim *Jat* dealers in addition to the *bania* dealers. This firm has several *khatas* from Muslim and *Jat* dealers in the Punjab *mandis*, specially in Rohtak where there are hundreds of *Jat* dealers. The *zamindar* dealers in the small mofussil *mandis* deal sometime with big mofussil *mandis* and sometime directly with dealers in the city of Delhi.

2689. The difference in prices of the small *mandis* and Delhi hardly covers the expense of transporting produce. There are occasions on which there is practically no difference, e.g., gram is sold at 10 seers a rupee at Rohtak as well as in Delhi at present. Ordinarily, the difference is about half a seer to 3/4ths of a seer per rupee. The *artia* does not store produce for higher price, as godown charges and the danger of deterioration do not make this a remunerative business to his clients. *Zamindars* and dealers who wish to do this keep their grain in Hapur or Ghazialbad and send it for sale to Delhi only when they think that the price is favourable.

2690. The business in grain in Delhi does not require much outside finance. There is only a limited scope for this business in Delhi, and *artias* have generally enough funds of their own; and in case of need they borrow from one another, but seldom go to a bank for assistance. The following are the prices of first class wheat recorded in the account book of broker Shiv Karan Ji on the 1st of every month since Jeth 1936:—

Wheat 1st Quality.

1st Jeth 1936	...	...	8½ seers.
1st Asar 1936	...	...	9 seers.
1st Sawan 1936	..	...	8 seers.
1st Bhadhma 1936	...	...	7½ seers.
1st Asu 1936	..	..	7½ seers.
1st Kartik 1936	...	...	8 seers.
1st Mangsir 1936	...	...	8½ seers.
1st Poh 1936	...	...	8½ seers.
1st Mah 1936	...	...	8 seers.
1st Phagun 1936	...	...	9½ seers.
1st Chet 1936	...	...	9½ seers.
1st Vaisakh 1937	...	...	10 seers.

Grain and Cotton Merchants of Naya Bazar, Delhi.

2691. The grain dealers here generally follow the lead of European export merchants so far as wheat prices are concerned. There is a general belief among them that these Europeans export merchants manipulate prices to suit their own purpose. They make a show of buying in order to raise prices and then effect contracts with dealers on this basis, lowering and raising prices just as it suits their purposes. The market is completely dominated by them and quite a large number of dealers have suffered heavy losses. Although these European export firms practically do no business in Delhi, the rates settled by them in places like Karachi and Lyallpur rule the Delhi market.

2692. *Interview with the firm of Mam Raj Chuni Lal dealers in cotton and grain both.*—The saleable produce of Delhi villages does not go outside the Delhi province. It generally comes to the Delhi market. About 2/3rds of the produce is brought for sale to Delhi and to mofussil *mandis* like Narela by the *zamindars* and only 1/3rd is bought by the *bania* or the village dealer. (At the time of the interview 2 agriculturists were actually present at the shop. One was a *Jat* by name Rak Phal and the other by name Bhandu who had brought *jira*, *dhania*, *saunf*, *torialh* and *sarson* for sale.) Cotton is generally sold to the local Mills but the transaction is settled through the *artia* in *Pui-ki-Mandi* and *Med Ganj*. This firm used to deal with many *zamindars* in Delhi Province directly about two years ago, but since the crops of the last two years have been unsatisfactory and more business from outside is offering itself, the firm does not do now much business with the villages in Delhi. On being asked to give from his *bandi* a few names of the agriculturists who have sold their produce through him as an *artia*, the following entries were picked out at random from the account books:—

1. 11th April 1925.—Hazarilal, *Jat* (of Ghatwar) sold gram worth Rs. 90.
2. 33rd May 1925.—Chaguram, *Jat* of Nangal Deokawala (Delhi Tehsil) sold *sarson* worth Rs. 29.
3. 29th May 1926.—Ram Rukh Ahir of Wazirabad (Gurgaon) sold *jira* worth Rs. 5/9/0.
4. 4th June 1926.—Juma Bux, Mian of Begumpur sold *arhar* and *dhania* worth Rs. 154.
5. 18th January 1927.—Khiali, *Jat* of Jajiruwala (in Tehsil Balabhgarh) sold *kapas* (cotton) worth Rs. 130 at the rate of Rs. 8 per maund.
6. 25th January 1927.—Puranmal Taga, Bhadurpurwala (in Delhi Tehsil) sold *kapas* (cotton) worth Rs. 448.
7. 25th January 1927.—Niha! Chand, *Jat* Loskuniwala (in Tehsil Balabhgarh) sold *kapas* at the rate of Rs. 7/8/0 a maund and *ghee* at the rate of Rs. 62 a maund, total Rs. 171/6/3.

None of these were in any way debtors of this firm, which does not advance any money to agriculturists except on the security of produce sold to them as *artia*.

2693. Not only the *zamindars* sell their own produce directly to the city *artia*, but quite a number of them are purchasing the produce of others and setting up as small dealers on their own account, bringing produce to the city for sale to the *artias*. The number of this class has increased particularly in Maidangarh, Ladosarai and Mahrauli. On being asked to name two such dealers, the representative of the firm mentioned Rup Chand, *Jat* of Rajpur Khurd and Kanya Lal, *Jat* of Saida Job near Kutab.

BANKING ENQUIRY COMMITTEE FOR THE CENTRALLY ADMINISTERED AREAS.

DELHI.

Written replies to the Questionnaire.

GOVERNMENT OFFICIALS.

Mr. Mehtab Singh, Industrial Surveyor, Delhi.

A.—AGRICULTURAL INDEBTEDNESS.

2675. 1. Any investigation into the statistics of agricultural indebtedness of the province with a reasonable degree of accuracy involves the conduct of a systematic survey through the agency of official as well as non-official organisations in intimate contact with the agriculturist. The illiteracy and ignorance of the ryot are real obstacles in the way of eliciting reliable intelligence relating to the existing indebtedness. The machinery entrusted with the work must be able to earn the confidence and appreciation of the villager with regard to the *bona fides* of the enquiry. The careful collection and judicious collation of the intelligence are emphasised from the point of view of intrinsic value of the investigation. The statistics must differentiate between productive and unproductive debts with classification of co-operative and external debts under each category.

2676. The primary remedy against borrowing for wasteful and unproductive purposes lies in the education of the agriculturist. The provision of organised credit is hoped to act as a restraint on the borrower. The organisation of co-operative better-living societies together with the promotion of the study of co-operation among the agricultural classes generally through dissemination of knowledge by modern educational methods is also regarded to create a favourable atmosphere and environment for their healthy growth.

2677. The establishment of agencies on co-operative lines for the supply of agricultural implements and appliances as well as seeds of improved types in important localities, the economic education of the agriculturist by way of a central model demonstration farm, the provision of easy agricultural credit, the liberal grant of improvement loans and the promotion of combinations of the cultivators owning small and scattered holdings for co-operative farming are expected to encourage borrowing for productive purposes by the agricultural classes.

2678. A large number of cultivators are indebted to the *bania*—the village money-lender who not only lends money but lends, purchases and sells grain and other necessities to these classes. In addition to the village money-lender, the Government and co-operative societies are also creditors in rural areas. The *zamindars* money-lenders who are of recent growth in this province constitute a fairly important section of creditors.

2679. 2. The rate of interest generally charged by the money-lender and the *zamindar* varies from 12 to 24 per cent. per annum, with the class of borrower and to some extent the nature of security offered for the purpose of loan. The co-operative societies charge 12½ per

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cent. in rural areas while Government advances loans at a rate of about 6 per cent. per annum.

2680. The compound interest is mostly charged half-yearly by the money-lender and the *zamindars* who generally resort to the courts of law for the repayment of debt before the expiry of three years, although renewal of loans is also not uncommon in this province. The manner of maintenance of accounts coupled with the inclination to exploit the needs of the ignorant borrower in certain instances renders the rate of interest exorbitant. The half-yearly compound interest is often charged on the total amount of loans advanced from time to time during the six months at the time of the harvest. The co-operative societies and Government charge simple interest recovering loans by law in cases of default of repayment at harvest time.

2681. 3. The credit facilities do not seem to have been adversely affected to any considerable extent by the operation of the Punjab Land Alienation Act because although the non-agricultural money-lender does not advance money on the security of land, the *zamindar* money-lender who is unaffected by the provision of the Act has taken his place.

2682. 4. The replacement of the small agriculturist by the bigger *zamindar* is not known on any appreciable scale in this province.

2683. The majority of the money-lending classes is non-agriculturist and as such is excluded from any title to the cultivator's land under the Punjab Land Alienation Act.

2684. 5. The Punjab Land Alienation Act affords a measure of protection to the cultivator from the non-agricultural money-lender for his landed property being passed on into the hands of the creditor. The cases of efficient farmers being turned into tenants through the process of the enforcement of old debts are not frequent in this province.

2685. 6. The continuance of the process tends to operate to the disadvantage of the economic development of Indian agriculture. The desirability of the provision to check frequent ejectment of the tenant deserves consideration. The sale or mortgage of an agricultural holding within certain limits may be prohibited by legislation.

2686. 7. The *zamindar* money-lender extracts labour on a limited scale from his borrower for cultivation of his land and provides food etc., to him. This does not affect interest on loan. The borrower who generally belongs to the caste of his creditor is averse to rendering any menial services in lieu of interest owing to the communal pride.

2687. 8. The village money-lender advances loans in kind as far as possible and takes the profits of the transactions involved in purchase and supply both for productive and unproductive purposes. The rate of interest though appears nominal to the borrower is thus often raised to a high figure. The illiterate and ignorant borrower is consequently deep in debt and his produce passes to his creditor for several years. For cash advances, which are allowed on a limited scale the money-lender charges interest generally varying from 12 to 24 per cent. per annum but all loans are alike adjusted in terms of cash in the creditor's books. The borrower is uneducated and has no idea of business methods.

2688. The bank credit in this province is mostly confined to commerce and industry.

2689. The system of *rahti* loans appears to be gaining popularity with people of small means in this province. A loan of rupees ten is allowed to be recovered in twelve monthly instalments of a rupee each. The same borrower can obtain a number of *rahti* loans on this system.

The borrower is required to pay about a rupee by way of stamped paper, the writer's fee, etc., for the grant of *rahti* loan. In default of payment of any monthly instalment, a rupee and a quarter is to be paid instead. The *rahti* loans are often allowed on the surety of another person of known credit who also gets his commission from the borrower.

2690. 10. The desirability of the provision of legislation for the publication and regulation of accounts of the money-lender as well as ensuring fair transactions between the money-lender and the agriculturist deserves consideration.

2691. 11. There is neither any village arbitration board nor any *panchayat* in this province for the settlement of disputes between the money-lender and the agriculturist.

B.—FINANCE FOR AGRICULTURAL PRODUCTION.

2692. 12. In practice, there is no particular distinction made in respect of the different classes of agricultural borrowers in relation to the existing system to obtain finance for agricultural production.

(a) During cultivation, finance is obtained mostly in kind adjusted in terms of cash in the creditor's books, at a rate of interest of 24 per cent. per annum generally, payable at harvest time. In addition to the interest charged on loans, the money-lender keeps a margin of profit of about ten per cent. both at the time of supply to, and recovery of seed from, the borrower.

(b) The capital and permanent improvements are financed by Government at about 6 per cent. of interest per annum.

(c) The *takavi* loans are advanced by Government during times of famine besides remissions of land revenue. The money-lender lends grain to the agriculturist to be adjusted in terms of cash in his books carrying interest at 24 per cent. per annum generally. For the payment of land revenue, the agriculturist borrows money from the money-lender or co operative society at 12 per cent. to 24 per cent. and 12½ per cent. of interest per annum, respectively, and generally payable half-yearly.

2693. Roughly speaking, the finance for agricultural production obtained in kind is to the extent of sixty per cent.

2694. The land, house property and ornaments form the security on which loan is obtained by the agriculturist. The extent to which loans are obtained against material security is however not considerable.

2695. The co-operative movement has still to do much in the matter of displacing the money-lender from financing productive operations of agricultural industry in this province.

2696. 13. The cultivator is benefited to an appreciable scale by the grant of *takavi* loans under the Agriculturists Loans Act. A liberal grant of loans payable on easy terms is suggested to attract the agriculturist to a larger extent.

2697. 14. There is at present no co-ordination among the various credit agencies.

2698. 15. The provision of finance for agricultural production in kind should be encouraged as far as possible. The seed, implements, etc., obtained by the agriculturist under the existing conditions are of inferior quality. The provision of better seed and improved implements is regarded essential towards the improvement of the produce of the agriculturist. To ensure the supply of seed of a guaranteed

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quality to the agriculturist, a central granary may be established for the purpose, by the co-operative movement, initiated and fostered by Government action, if necessary.

2699. 16. The available capital to finance agricultural production in this province appears not insufficient as is evidenced in the reduction of the rate of interest by the Provincial Co-operative Bank, the central financing institution.

C.—FINANCE FOR MARKETING.

2700. 17. Nature seems to have been kind in so distributing the agricultural tracts in this province as to afford a market not far distant even from the most secluded villages. Besides Delhi, which is a great distributing market in virtue of her being the junction of almost all the important railways in India, there are small marts in Mahrauli, Najafgarh, Buwana, Narela, Jangpura, Shahdara, Karala and Kanjhawla.

2701. 18. Delhi is in fact, the only principal market in the province which receives a larger proportion of her agricultural produce in grains, seeds, chillies, cotton, etc., either for purposes of local consumption or export. The balance is despatched to the neighbouring markets of the Punjab and the United Provinces, as well as railed direct to Karachi, Bombay and Calcutta. The small marts are on the other hand, concerned mainly in the collection of surplus produce of the locality.

2702. The fruits, flowers and vegetables are mostly brought to the *mandis* at Faiz Bazar and Subzimandi in Delhi by the cultivator or trader, and sold by auction through the agency of the commission agent who generally gets an anna as commission for every rupee worth of the product marketed.

2703. Cash transactions are the rule in the Delhi market. There is no exchange of commodities effected in any of the marts in its literary sense. The cultivator takes his produce to the dealer in the mart and obtains his necessities of cloth, oil, salt and implements, but his sales and purchases are alike adjusted in terms of cash in the dealer's books.

2704. Under existing conditions the produce is carted by the cultivator or the village trader to the Delhi market where it is sold to the wholesale dealer through commission agents or *arhtias*. There is usually seen a large number of brokers and petty-agents going round the market, and there are almost always one or more intermediaries between the buyer who takes the produce to the destination of consumption or export, and the cultivator or the trader who actually brings the commodity into the market.

2705. A large number of cultivators are indebted to a class of trader who is generally the village money-lender. He not only lends money but lends, purchases and sells grain and other necessities of life. The village money-lender who finances the ordinary movements of the crops is therefore the possible purchaser and distributor of the produce of such cultivators. The *arhtia* or commission agent who finances the landowner and regular customer often lends money on the basis of a maximum of seventy-five per cent. of the then existing market value of the produce stored with him. The balance is paid after the produce is sold less the interest at $7\frac{1}{2}$ per cent. per annum on money advanced and godown and other charges varying from Rs. 2 to Rs. 3-2-0 per month for every hundred bags of the produce stored with the commission agent.

2706. The commission agent, broker and *arhtia* are strictly speaking different names for middlemen. The *arhtia* often acts as merchant and the margin of commission upon which he operates varies generally from a rupee to a rupee and nine annas for every hundred rupees worth of the agricultural produce according to the class of the latter, marketed through his agency. The amount of commission is charged generally from the customer in the Delhi market and both from the cultivator and the customer in the provincial marts. The producer or trader has also to pay wages for the weighing of his produce at two pice per bag weighed, besides other incidental charges in the shape of *gaushala* and *dharmada* which are three pies and an anna for every hundred rupees paid to him, respectively.

2707. 19. (a) The agricultural produce, specially grains, oil seeds and pulses, previous to taking it to the market is stored loose in a room forming a complex mixture of good, bad and indifferent stuff and no attention is paid to sorting and grading the respective products.

(b) At the market, the produce is generally stored packed in gunny bags.

2708. The grain stored with the commission agent in the Delhi market is used as a security for obtaining credit.

2709. 20. The provision of a bonded warehouse in Delhi is expected to facilitate storage of commodities intended for export to save cartage and terminal tax charges.

2710. 21. The agriculturist does not enjoy banking facilities and the co-operative credit movement has yet to do much in the matter of financing of produce during marketing. The cultivator because of the fragmentation of small holdings is often a producer on so small a scale that it is practically not possible for him to take his produce to the larger markets and to sell at current market rates. He is thus prevented from obtaining fair prices for his crop and naturally looks to the local dealer for his sales. The producer owing partly to poverty and partly to his ignorance can obtain prices far from satisfactory for his produce. The co-operative marketing appears the most promising remedy and also one of pressing importance in the existing conditions. The co-operative organisation can store the produce brought by its members advancing them a reasonable percentage of its value at the existing market rate till better prices are available. The existing marketing system presents a real obstacle to agriculture progress and rural banking.

2711. The exporting firm is in rare cases known to finance the agriculturist by advancing a reasonable percentage of the estimated value at current market rate of the standing crop, through the agency of the guarantee broker.

2712. 22. The railway receipt is employed for raising money during the process of marketing.

2713. 23. The co-operative movement is expected to solve the problem of the cultivator possessing little or no capital and owning small and scattered holdings in promoting combinations to secure some of the advantages of transporting and marketing on a large scale. The employment of co-operative resources not absorbed at the growing end of the farmer's business in a well-organised distributive enterprise will bring greater profits to him.

D.—LONG PERIOD LOANS FOR AGRICULTURE.

2714. 25. The province of Delhi possesses a comparatively much smaller acreage under crop as compared with her neighbouring sister provinces,

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and as a consequence, takes a smaller relative share in agriculture. There is a demand for long term credit particularly in relation to improvement of land by the cultivator owning large holdings.

2715. 26. The Imperial Bank of India is precluded by its Charter from making advances against the security of land and joint stock banks owing to their inability to allow long term loans are of little service to the agriculturist. The chief solution lies in the creation of co-operative land mortgage banks for the provision of long term credit.

2716. 29. The Punjab Land Alienation Act is in operation in this province, the non-agricultural money lending classes are often found averse to loan capital for long periods to the agriculturist.

2717. 31. There is neither any mortgage bank nor any other bank in this province for the provision of long term credit.

2718. 37. The creation of a co-operative land mortgage bank is suggested for the adequate provision of long term credit against sound security.

E.—INDUSTRIES SUBSIDIARY TO AGRICULTURE.

2719. 38. There are many small fruit gardens and orchards scattered throughout the province. The fruits which find favour in the local market and are produced are mangoes, peaches, bananas, pomegranates, *kamraks*, apricots, *jamans*, guavas, apples, *loqats*, lemons, etc., whereas in the group of flowers, common roses and jasmines are in good demand and are also grown. Onions, carrots, turnips, *kakris*, melons, cucumbers, brinjals, *bhindis*, *tindas*, *toris*, *tomatars*, etc., are amongst the vegetables cultivated extensively in the suburbs of Delhi, Najafgarh and Jangpura.

2720. Besides *gur* making, hand-spinning and cattle-breeding which are practised on a limited scale only, the small subsidiary industries allied or supplemental to agriculture are non-existent in this province.

2721. Under the present conditions, industrial finance is no problem in so far as the existing industries subsidiary to agriculture are concerned.

2722. 39. There are at present no such industries conducted in this province on any appreciable scale.

2723. 40. The provision of transport facilities is a necessary feature of any attempt towards the opening up of markets for the products of these industries which however are not conducted at present in this province, on any appreciable scale.

2724. The agricultural population cannot afford to overlook the economic value of the home industries in periods of forced idleness. The main solution of the problem of economic salvation of the agriculturist generally, and the farmer who is left under the baneful influence of fragmented small holdings not enough to support him and his family particularly, lies in the organisation and development of home industries. The village can hardly remain a sound economic unit in the absence of the provision of alternative occupations suited to the existing conditions. The following are some of the important industries of the class which can be conducted in spare time and otherwise at home and in which one could count upon the assistance of women folk and even boys and girls in the family:—

- (i) Cotton spinning.
- (ii) Cotton weaving.
- (iii) Carpet-making.

- (iv) Rope-making and mat-weaving.
- (v) *Nwar* and tape-making.
- (vi) Bamboo and cane work.
- (vii) Dairy farming.
- (viii) Thread-balling.
- (ix) *Gota*-making.
- (x) Textile printing.
- (xi) Poultry-farming.
- (xii) Toy-making.
- (xiii) Oil-pressing and soap-making.
- (xiv) Sugar manufacture.
- (xv) Lacquer wares.

2725. The problem of the provision of financial facilities may be solved by the organisation of industrial co-operative societies amongst the workers and the application of the principle underlying the 'State-aid to industries' to this province.

G.—NON-AGRICULTURAL CREDIT AND INDEBTEDNESS.

2726. 48. The extent of indebtedness is not known but there is evidence to show that the lack of finance in recent years has contributed towards the contraction in the activities of the trading and industrial communities in this province. The rate of interest generally varies from 7½ to 12 per cent. per annum.

2727. The difficulties in obtaining loans are chiefly experienced by the small and middle class industrialist. He often finds it difficult to exhibit his financial standing in a form intelligible to a banker and is unable to offer security of approved name and of stock that can be readily disposed of. The bank often refuses to advance money for lengthy periods on the security of building and plant. The cottage worker on the other hand, is destined to remain in the clutches of the merchant middleman until he is assisted to obtain credit on easy terms.

2728. The desirability of the grant of State-aid to cottage industries and the extension of the co-operative credit amongst the trading and industrial classes deserves consideration.

2729. 49. There are local industries, such as, pottery, gold and silver threads and *lametta* manufacture, textile industry, soap manufacture, brass and copper wares, thread ball making, iron foundry industry, leather tanning and leather working industries, etc., existing in this province.

2730. Speaking generally, the want of financial facilities coupled with the growing lack of credit and the high rate of interest appear to retard the development of industries, particularly small industries of the province. The small and middle class industrialist or trader is hampered by the lack of finance at reasonable rates. The existing organisation is considered neither elastic nor sufficient to meet the industrial needs of the province. The desirability for the creation of a suitable organisation for the provision of initial and current industrial finance for long periods and on easy terms deserves consideration. The grant of Government loans to small or cottage industries in cash or by way of hire-purchase, at the present stage is also suggested under a special Act providing suitable means for recovery.

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2731. 50. The small industrialist and trader have yet to enjoy the blessings of co-operation in this province. The need of industrial co-operation, particularly in relation to small or cottage industries is emphasised from the point of view of industrial development. There is considerable scope for the organisation of industrial co-operative societies to be financed by a suitable agency, such as, a central bank or union and to be assisted in the matter of procuring raw materials and disposing of the finished products.

2732. 51. The intimate relation between co-operation and small or cottage industries cannot be too strongly emphasised and there is field for the organisation of industrial societies, especially among urban artisans to finance stocks and arrange sales. The co-operative credit applied to trade and industrial and commercial purposes is hoped to play an important role in the future economic development of the province.

2733. 52. (a) (i) There is no organised agency concerned in the financing of foreign trade from the village to the *mandi*. The exporting firm makes its purchases of the commodities of export through the wholesale dealer or *arhti*, as well as through the medium of its guarantee broker who is rarely known to finance agriculture.

(ii) The importing and exporting firm in Delhi generally advances money on the basis of a maximum of 90 per cent. of the value of grains purchased by it from the *arhti* or dealer on the presentation of railway receipt. The balance is paid after the arrival of grain at the exporting port.

(b) (i) The local bank on the deposit of about 40 per cent. of the invoice value accepts delivery of foreign goods by payment of the balance at the importing port. The goods are subsequently railed to Delhi and stored in the bank godown till delivery is taken by the consignee on payment to the bank of the balance of the invoice value together with storage and insurance charges at annas six each per package per mensem and interest at the existing bank rate.

(ii) Credit is allowed by the importing house in Delhi to the consumer locally as well as in the mofussil areas at a rate of interest generally varying from $7\frac{1}{2}$ to 9 per cent. per annum, according to the class of materials for distribution.

2734. The bank generally refuses advances on the merchandise in the process of distribution from Delhi to the consumer in the mofussil areas and acts merely as a collector of bills at a commission varying from annas three to annas six per cent. The lack of credit facilities by the bank in this direction is keenly felt by the industrial and trading communities generally.

I.—INDIGENOUS BANKER AND MONEY-LENDER.

2735. 55. The communities practising indigenous banking and money-lending in this province are *bantias*, *khatrijs*, *sindhis*, *muslims* and *jats*.

2736. 56. The village money-lender not only lends money but lends, purchases and sells grain and other necessities of life. He is the possible purchaser and distributor of the produce of the small cultivator and finances the ordinary movements of the crops.

2737. The city *sahukar* does not generally confine his dealings to money but he often acts as dealer in imported articles and to some extent purchaser of local products. He finances the small trader, industrialist and artisan.

2738. There is a small percentage of the money-lending classes living exclusively or mainly on money-lending and banking.

2739. 57. There are practically no banking facilities for the agriculturist and the co-operative credit is available on a limited scale. In the circumstances, the village money-lender still plays a fairly important role in financing agriculture. He does not confine his dealings to money but is often also a purchaser of local produce and a supplier of the domestic and other needs of the agriculturist.

2740. The trade and industry are, on the other hand, financed to a restricted scale on the whole. The small industrialist and trader generally possessing the confidence of the banker and mostly capable of furnishing acceptable security are financed while larger industrial and trading concerns mostly go to the banks. The *sahukar* or banker not only lends in cash but often also lends in kind. The capital to finance new enterprises is generally not available and the difficulties for obtaining loans for lengthy periods adversely affect the development of trade and industry of the province.

2741. The intelligent section of the private firms or individuals dealing in money-lending is known to invest a part of the savings in industrial shares. The deposits are kept with the well-known and well-established industrial concerns in rare instances only.

2742. 58. (a) The indigenous banker or money-lender operates with a capital, stated to vary between wide limits from rupees five thousand to two lacs.

(b) The volume of business is determined by the chief factors governing the safety and attraction of investments. Generally speaking, the employment of capital is mostly seasonal in rural areas while the available urban finance does not find utility to a large extent owing to the general ignorance of industry and trade, either by way of loan or subscription to capital.

(c) The expenses depend on the amount of capital in operation and the standard of living.

(d) The money-lender is assisted financially by a bigger banker of his own class who often deals with a bank on an appreciable scale.

2743. 59. The various forms of *hundis* are:—

(i) The transferable *hundi* payable after 61 days to 360 days is stamped at an anna and a half per cent. The *hundi* is often made payable after 61 days and is also purchased by the bank.

(ii) The non-transferable *hundi*, locally called *purja* or *jama-kharach*, is affixed one anna stamp only for its face value and is payable after 60 days on the consent.

(iii) The transferable *hundi* payable after 56 days is stamped at an anna and a half per cent and is mainly employed as a credit instrument for outside stations like Calcutta, Bombay, Cawnpore, etc. This *hundi* is also purchased by the banks.

(iv) The transferable *darshani hundi* payable at sight is mostly used for purposes of transactions in the recovery of debts in external stations to save insurance charges involved in the transit of Government currency notes. There are at present two systems in force in Delhi, namely, *naya dhara* or new system and *purana dhara* or old system. The *darshani hundi* on which *naya dhara* is written is payable on first sight and the one bearing no system is understood to relate to *purana dhara* or old system and is allowed to stand for seven days

Mr. Mehtab Singh.

for payment with interest. There are committees appointed to determine cases of refusal of acceptance of sight or *darshani hundi* and a penalty at about 2 per cent. is levied in case of its dishonour from the executor. The bank however does not charge any penalty on this account.

2744. Each *hundi* is generally executed for a transaction covering a sum of Rs. 2,500, and its exchange is often effected through the *datal* or broker who charges from pies six to annas two per cent. as brokerage per cent.

2745. The rate of interest charged varies from annas five to Rs. 2/8/0 per cent. per mensem, according to the credit of the executor. The interest is generally payable on the date of the execution of the *hundi* except in the case of *purja*.

2746. The promissory notes are made payable on demand and are generally employed for lengthy credits. The rate of interest charged varies from $7\frac{1}{2}$ to 12 per cent. per annum.

2747. Another way of allowing credit to approved clients by the *sahukar* is by the system of *chalu hisab* or *khatapitha*, i.e., current account, on which interest is charged at the rate of 6 to 9 per cent. per annum.

2748. 60. The cash credits are generally allowed on the mortgage of house property and ornaments at a rate of interest varying from $7\frac{1}{2}$ to 12 per cent. per annum. The other methods of granting loans are *hundis*, *jama-kharach*, promissory notes and *khatapitha*.

2749. 61. The village money-lender generally operates with his own capital and is helped with funds by a bigger banker of his own class to meet the demands on him for funds. The *sahukar* in the city who is generally a landlord and often deals with a bank on a large scale provides himself with funds by means of exchange of various kinds of *hundis* as well as mortgage of Government paper with a bank.

2750. 62. There is no sufficient confidence for keeping deposits with the indigenous banker. The rate of interest allowed on any deposits made with the banker is generally $3\frac{1}{4}$ per cent. per annum. The *sahukari* rate of interest is 6 per cent. per annum generally.

2751. 63. The rate of interest which the agriculturist has to pay at present to the money-lender varies from 12 to 24 per cent. per annum generally.

2752. The provision of adequate banking facilities with the extension of co-operative credit is expected to afford a measure of relief to the agriculturist from the prevailing high rate of interest.

2753. Any decrease in the rates of interest means a proportionate increase in the prosperity of the agriculturist leading to improved agricultural methods and enhanced output.

2754. 64. There is a prejudice against the indigenous banker as will be obvious from the common proverb which runs as follows:—*Bania thari ban nar buja jane nahin pani piwe chhan an chhano lahu piye*. None can understand or follow the policy of the *bania* who drinks filtered water but drinks unfiltered blood.

2755. The manner of the maintenance of accounts of the illiterate and ignorant debtor renders the rate of interest exorbitant in certain instances. The non-rendition of accounts by the creditor to the debtor renders it difficult for the latter to defend himself in law suits and repudiate claims. The desirability of the provision of legislation for the publication and regulation of accounts of the *sahukar* as well as ensuring fair transactions between the *sahukar* and the agriculturist deserves consideration.

2756. 65. It is difficult to form any accurate estimate of the net return to the indigenous banker on his capital, in the absence of any reliable statistics.

2757. There have been a few failures amongst the indigenous bankers though no reliable figures are available. The *sahukari* business appears to be on the decline generally owing to the continued industrial depression combined with the prevalence of famine conditions consequent on the failure of crops in the rural areas.

2758. 66. The *sahukar* is not always able to meet the demands made on him for accommodation and is at times obliged to refuse advances both on account of the unacceptable nature of the security offered as well as the insufficiency of the working capital.

2759. 67. In order to save the insurance commission of annas two per cent. involved in the transit of Government currency notes, the *darshani hundi* is the chief instrument employed for internal remittances. The use of the bank draft for the purpose is not frequent and is made by the commercial community for large remittances.

2760. The provision of facilities in the transit of Government currency notes is expected to improve the position in regard to internal remittances.

2761. 68. The growing lack of credit consequent on the continued stringency which had characterised the money market in recent years combined with a number of commercial failures has adversely affected the extent of exchanges of transferable *hundis* which were frequently employed in the internal trade of the province.

2762. There is a limited flow of money from one rural centre to another at harvest time. The flow of money from rural to urban centres is mostly confined to the marriage season. The periodical festivals also exercise influence over the flow of money from rural to urban centre.

2763. The transferable *hundis* payable at more than one year after date or sight are not known in this province.

2764. The *hundis* are discounted locally.

2765. The reduction of duty on *hundis* is regarded to result in the extension of their use by the industrial and commercial communities.

2766. 69. Speaking generally, the employment of capital is mostly seasonal in rural areas while the available urban finance does not find utility to a large extent owing to the general ignorance of industry and trade, either by way of loan or subscription to capital. The rest is generally invested in Government paper and gold or deposited with a bank.

2767. 70. The rate of interest varies from annas five to Rs. 2-8-0 per cent. per mensem, according to the credit of the *hundi* executor. The rate is generally high during the busy period extending usually from November to June when it falls for the slack season. The rate is influenced by the Imperial Bank of India's *hundi* rate and is generally one per cent. higher in respect of reliable firms.

2768. 72. The recognition of this class of bankers by Government is expected to secure larger clientele for them, chiefly because it is generally considered that when Government grants recognition it will examine the stability of the undertaking. The financial stability appears to be the principal condition of such recognition.

Mr. Mehtab Singh.

2769. 74. The majority of the indigenous banking community will be found averse to the introduction of any measure for regulating and giving publicity to their operations chiefly because such a process might interfere with their trade and commerce.

2770. 77. The establishment of a bank designed to afford financial support to the commerce and industry of the province with local directorate to be connected with the indigenous banking system appears desirable.

2771. The bank would probably require a measure of Government support to earn the confidence of the indigenous bankers.

J.—INVESTMENT HABIT AND TRANSACTION OF CAPITAL.

2772. 79. The ordinary cultivator lives in perennial poverty because under the existing conditions, he obtains his finance dear and sells his produce cheap. The want of thrift, the customs of extravagance at marriages and other ceremonial observances and the absence of a safe place for investment of savings are other important factors contributing towards agricultural poverty.

2773. 80. It is difficult to form an estimate, with any degree of accuracy, of the actual capital savings of the agricultural population of the province in the absence of reliable statistics from representative agricultural tracts.

2774. 81. The well-to-do *zamindar* is found owning a fair quantity of jewellery worn by his womenfolk in addition to a certain amount generally in the shape of rupees to meet his current expenses. The rest is hoarded by him against anticipated future wants or is lent to fellow-farmers. Other classes possessing wealth invest some part of their savings in gold and silver both as a matter of habit as well as to meet anticipated future necessities. They own ornaments and jewellery which are worn by their womenfolk.

2775. The tendency towards hoarding of wealth appears to be on the decline.

2776. 82. The bulk of the money earned by the small cultivator by the sale of his produce generally goes to pay debts. The well-to-do *zamindar* often invests some part of his savings in jewellery and keeps a certain amount of money to meet the expenses of his household and cultivation. The rest is hoarded against anticipated future needs or is lent to the agriculturist. The commercial community invest some part of the savings directly in the extension of their industry and the rest is often kept with a bank. The money-lending classes as far as possible keep their capital in circulation by the mortgage of property and ornaments. They also invest in gold and silver and purchase Government paper to some extent. The banks attract deposits from the intelligent middle classes including Government servants. The investment of savings in property by purchase or mortgage appeals to the Government servant.

2777. The co-operative societies and banks, insurance companies and provident societies have exercised some important educative influence towards the promotion of the habit of saving, and offer safe and attractive fields for investments.

2778. 83. The farmer lends to the fellow agriculturist both for productive and unproductive purposes at a rate of interest which varies from 12 to 24 per cent. per annum with the credit of the borrower. The employment of surplus money in prosperous years by the agriculturist follows traditional lines. The well-to-do farmer invests a portion

in jewellery and keeps a certain amount of money to meet the expenses of his household and cultivation. The rest is either hoarded against anticipated future necessities or is lent to the fellow agriculturist.

2779. After the harvest, the money lent or expended on cultivation is received back by the farmer. The employment of his money is thus mostly seasonal and is locked up unproductively during the slack season with a high rate of interest during the busy period.

2780. 84. The abolition of stamp duty on cheques has produced a desirable effect towards the promotion of the cheque habit among the educated classes generally.

2781. 85. The slow growth of the banking and investment habit is mainly attributable to the lack of adequate facilities coupled with general ignorance of the fields which are at once safe and attractive in the direction. The existing banking system is considered neither elastic nor sufficient to meet the needs of the population. The banking facilities do not exist for the majority of agricultural population and the co-operative credit movement has still to do much in this direction. The small industrialist and trader unfortunately do not possess the confidence of the bank and its deposit side is often not tempting to the illiterate agriculturist, under existing conditions. The general ignorance of industries renders it difficult for the investment of money either on loan or by way of subscription to capital.

2782. The co-operative societies and bank, insurance companies, savings banks and provident societies are the institutions in existence for encouraging savings and investment habits.

2783. 86. The Postal Cash Certificates appear gaining popularity in this province. The attractive interest rates add to the popularity of the Cash Certificates.

2784. The Post Office Savings Banks generally attract deposits from the intelligent middle classes including Government servants. A relaxation of the existing terms is expected to prove a great assistance in attracting other classes.

2785. 94. The existing banking resources are joint stock banks, co-operative banks, Imperial Bank, indigenous banking and money-lending concerns and Post Office Savings Banks. The institutions are not considered adequate to meet the needs of the population.

2786. 95. The city of Delhi is a suitable place for the establishment of a mortgage bank.

**Captain Sardar Bahadur HABIBUL RAHMAM KHAN, C.I.E.,
O.B.E., Sub-Registrar, Delhi.**

2787. 2. Generally the rate of interest is 2 per cent. per mensem among the *zamindars* in this Province, and the *zamindars* take money and all articles, required for their daily use, on loan from their money-lenders on *bahi khata* accounts. The money-lenders are generally *banias* by caste and these *banias* (money-lenders) strike the balance at the close of each year, after calculating the interest at the above rate and then affix the thumb impression of their debtors to the balance of their accounts and thus charge compound interest. Generally these poor debtors are illiterate *zamindars* and thus the money-lenders enter in their *bahis* many false and forged items to raise the debt-money.

Captain Sardar Bahadur Habibul Rahman Khan.

2788. Now some of the well-to-do *zamindars*, have also been doing money dealings among themselves since the Great War but the rate of interest is the same as noted above. Repayments of debts are made at the time of crops, if they are good, otherwise at the time of next crops, with the result that debtors cannot be free from this indebtedness. These debts are generally taken in these *ilagas*, where there are no means of irrigation and the lands are *barani* (lands depending on rains only). Debts on the security of lands are taken very seldom in this *ilaga* as there is a restriction regarding alienation by agricultural castes. There are only 52 mortgage encumbrances this year. If the debt is taken on the security of land, the lands are mortgaged with possession on the condition that the interest and benefit from land will be equal and when in the beginning of the month of *jeth* the money (principal) is paid, the land will be free from encumbrances. In this *ilaga* the lands are also mortgaged with possession to non-agriculturists under sections 6 or 7 of the Land Alienation Act, XIII of 1900, for a term (as a maximum) of 20 years on the condition that after the expiration of the fixed term, the land will be free from encumbrance without the repayment of principal and interest. Now-a-days loans are also taken by *zamindars* from co-operative society banks, but only by those who have got lands.

2789. 7. There is no custom in this *ilaga* of *zamindar* money-lenders extracting personal services in the form of labour in lieu of interest on loans from borrowers.

2790. 8. Similarly there is no custom of making advances in cash or by the system of *rahti* by money-lenders to agriculturists in these villages while the system of *rahti* is in force in the towns of this *ilaga* between money-lenders and low castes only such as *chamars*, sweepers, etc.

2791. 12. Generally the small *zamindars* and cultivators obtain finance by the means noted in Question No. 2 from money-lenders (*banias*) for the needs given in Question No. 1.

2792. 25. There is no demand for long term credit in this *ilaga*. Generally the small *zamindars* are cultivators who have got either no land or have small portions of land. They take loans but there is no source of repayment of debt except crops or produce of land.

2793. 26. Loans can be obtained for long periods in this *ilaga* to some extent, on the security of land, but there is a restriction of caste under the Land Alienation Act, XIII of 1900.

2794. 27. There is a legal impediment in this *ilaga* that agriculturists cannot obtain loans freely from non-agriculturists owing to the Land Alienation Act with the result that they have to pay much interest to the money-lenders on the *bahi khata* loans, especially the *Gor-Brahmans* who cannot mortgage their lands even to the other agriculturists except *Gor-Brahmans*.

Mr. UJAGAR SINGH, Agricultural Assistant, Nangloi.

Replies to the Questionnaire.

2815. 1. Efforts have been made from time to time to estimate the indebtedness of agriculturists and to investigate its causes. The class being uneducated not keeping any account and even not knowing how such large amounts of debts have accumulated, it has been a great problem for the investigator. All such figures are mostly based on rough calculations arrived at by the investigator by discussions with prominent persons of the locality. It is very easy to devise means in

an advanced country by legislation to force one to keep regular accounts, to fix income tax and taxes; but this is not the case in India. I am giving only the percentages of debt under each major head and not their amounts, as I have been only for a short time in the Province and have got no regular data.

About 80 per cent. of the agriculturist are under debt.

(a) Mortgage (Delhi) 30 per cent. (b) 10 per cent. (c) 60 per cent.

(1) Debts are usually taken for the payment of land revenue and rents.

(2) Purchase of plough, cattle and seeds.

(3) Marriages and social functions.

(4) Litigation.

(5) Growth by compound interest.

(6) Sinking of wells and other agricultural improvements.

(7) Purchase of land.

(8) Construction and acquisition of houses.

Usually people holding land more than 100 acres borrow more as they have better credit facilities while the middle class is better off as regards debt and as the poor cultivator has not got so much credit, he cannot borrow more.

2816. The debt can be reduced:—

(1) by legislating that there should be a binding both for the debtor and the creditor that the loan demanded is for productive purposes;

(2) that litigation should be minimised;

(3) by consolidation of holdings; and

(4) by starting of land improvement societies.

2817. In Delhi Province the money-lending is mostly in the hands of *baniyas* and to a small extent in the hands of *zamindar* money-lenders which can be safely taken as 5 per cent.

2818. The rate is 12 to 24 per cent. while in exceptional cases it goes to as high a rate as 75 per cent., but is rare and is only in the case of very poor people, who have got no security and the sums are very small.

2819. Here in this Province the payment is made mostly in kind so in addition to the interest the money-lender gains twice; first when he gives in kind and secondly when he recovers in kind.

2820. 5. Yes.

2821. 6. Yes. It can be checked by fixing an economic holding which will differ according to the kind of soil and irrigation, legislation should be enacted to check further sub-divisions of such economic holdings and attachment by decree of court.

2822. 7. It is more customary with professional money-lenders than with *zamindar* money-lenders. This is mostly as a by-product of money-lending.

2823. 8. Such loans are mostly advanced to village menials and hence the question does not arise.

2824. 9. No, the magistrates being mostly of the money-lending class.

Mr. Ujagar Singh.

2825. 11. No. Not to my knowledge.

* * * * *

Rates of interest:—

(a) 25 per cent.

(b) 12 per cent.

(c) 12 per cent. to 25 per cent.

Periods are as follows:—

(a) 6 months.

(b) 2 to 5 years.

(c) 6 months to one year.

2826. 13. No. *Takavi* should be given in villages and not at the head-quarters where the poor fellow has great difficulties for taking loans.

2827. 14. No.

2828. 15. The defect is that the loans are advanced irrespective of the purpose. The remedy is in legislation, *e.g.*, that the economic holding must not be split up further.

2829. 17. Yes. They are as:—

1. Delhi proper; a big market for all kind of products.

2. Narela, Najafgarh.

2830. 18. The markets being within easy reach of the cultivators the majority of whom have got carts, the surplus after paying the money-lender is taken to the nearest market.

The product is sold through the commission agent who charges one pice for a rupee.

There is co-ordination among them as their shares are fixed. There is lot of scope for improvement by starting commission shops.

2831. 19. Wheat which is to be sold in the near future is carted to the cultivator's house and left there. It is however taken to the market in bags.

Yes.

2831a. 20. Yes, there is need, but these should be both at the village and at the port.

Yes.

2832. 21. Commission shops should be started which should advance loans on heap rates on the security furnished.

2833. 22. No such system.

Does not arise.

2834. 23. It has been mostly experienced that when a new commission shop is started in a market or where there are a few cotton-ginning factories, the professional classes make "pools", but such is not the system in Delhi Province.

2835. 24. Does not arise.

2836. 25. Yes.

By 100 acres and more.

2837. 26. (a) Upto the value of his property.

(b) Upto the value of his estimated income for the year. Usually for a crop and in some cases for a year.

2838. 27. No. The Agriculturist is naturally inclined to take loans privately and not publicly.

2839. 28. 200 to 400 rupees per acre.

About 2 to 4 per cent.

1. Locality.

2. Kind of soil and irrigation.

3. Competition.

2840. 29. Yes. The Land Alienation Act.

No. Adverse effect. Does not arise.

2841. 30. No. Does not arise.

2842. 31. No.

2843. 32. Mortgage banks on similar lines as that at Sonapat may be started.

2844. 33. The same as above.

2845. 34. Its rental value may be ascertained and then the value of land can be calculated. Of course it shall differ according to locality and its specific crop production capacity.

* * * * *

2846. 38. Of course individual agriculturists cannot take up the business due to lack of capital, smallness of and scattered condition of holdings. Cottage industry can be of much help if started on co-operative lines, e.g., poultry, dairy farming, sericulture, gardening, etc.

2847. 39. Same as above.

2848. 40. It will help a great deal; as narrated in 38.

Co-operative and State aid.

2849. 41. Mostly capital-supplying.

To a small extent because the movement is still in its infancy.

2850. 46. No.

2851. 47. Yes.

2852. 55. *Banias*.

2853. 56. Money-lending is a source of sufficient income to them and these people are not so enterprising as to invest their capital in any other industry with which they are not familiar. They act mostly as middlemen and brokers of the rural produce.

2854. 60. They only advance short term loans.

2855. 61. When they stand in need of any other money, they get it from their fellow bankers.

2856. 62. It varies from 6 to 12 per cent.

2857. 63. 12 to 24 per cent. * * *. Unless the masses are educated they cannot draw any great benefit from such concessions.

2858. 64. The dealings are not on sound lines, there have been many a case in which the poor uneducated and ignorant cultivators have been deceived, and the charges have been many times the money actually advanced.

The remedy lies in issuing six monthly accounts and in making the money-lender keep certified registered books.

2859. 65. After making all such allowances he makes a net return of about 15 per cent.

Mr. Ujagar Singh.

Of course I cannot give definite figures of the failure of money-lenders but the business is on the decline on account of co-operative and anti-money-lender movement in the province.

2860. 66. No. The demands on a money-lender are often refused both on account of the unacceptable nature of the security and shortage of funds.

2861. 67. Usually the money is remitted through *hundis* which are issued by sound money-lenders or bankers on others. Supply bills are not in operation for the present in the rural areas, and there is little likelihood of the advantage being taken till the masses are educated.

2862. 74. Well, the indigenous banking community will certainly offer an organised non-co-operation against any such law in the beginning.

2863. 79. About 10 per cent. of the cultivators make both ends meet and some saving.

2864. 81. Yes. The Indian females adore their ornament more than their gods (sic) so much so that the main cause of the poverty of the cultivators is the ornaments. One will not come across in the whole of India even the poorest of poor who will not have some sort of ornaments of the value of scores of rupees.

The tendency is towards decrease now with the spread of education and fashion for fancy clothes.

2865. 82. I am chiefly dealing with the rural agriculturists who pay the greater portion of their income as interest, and any surplus is spent in repairs and making of new ornaments, very few of this class invest their savings for productive purposes which too is limited to the purchase of land and agricultural improvements.

* * * * *

2866. 83. Yes, and on cheaper terms than by professional money-lenders and they invest in purchasing land, sinking of wells, building houses and making ornaments.

LOCAL BODIES.

**Lala HARSARAN DAS, Member, District Board, Delhi, and
Mr. MOHAMED ALAM KHAN, Zaildar, Member, District
Board, Delhi.**

Note.—These gentlemen submitted two separate memoranda in Urdu, the substance of both of which is the same and is reproduced below.

A.—AGRICULTURAL INDEBTEDNESS.

2937. 1. This question has become of world-wide importance, and all the agriculturists, whether big or small, are more or less in debt. It is not easy to make an accurate estimate of the indebtedness of a *tehsil* or village, such estimate can however be drawn up from the following sources :—

- (i) The amount of debt with land as security, which is in the form of a registered mortgage can be ascertained from the *tehsil* records, because all such documents are registered there.
- (ii) The amount of debt due to co-operative societies can be easily ascertained from the office of the Registrar, Co-operative Societies.

- (iii) The amount of loans advanced on *ruqa* or *bahi* account or against the security of cattle is rather difficult to ascertain, because in the first place nobody feels inclined to give this information, and in the second place such loans are advanced by agriculturist money-lenders or *banias*, etc. The *patwaris* may be able to give this information.
- (iv) The amount of debt advanced against registered documents can easily be ascertained from the Registration Office.

2938. Such debts as are outstanding against the agriculturists, are due more to the *mahajans* and *sahukars*, who are money-lenders pure and simple, rather than to the co-operative societies and agriculturists. These *sahukars* and *mahajans* also advance seed and manure to their clients.

2939. 2. The rate of interest ranges between Re. 1 to Rs. 3 per cent. per mensem according to the needs of the agriculturists. However the ordinary rate of interest is Rs. 2 per cent. per mensem and it is generally calculated half-yearly.

2940. These people can be saved from the high rate of interest charged by the *mahajans* if Government can advance to the agriculturists for the purchase of seed and maintenance, at the rate of not more than Rs. 10 per mensem per plough.

2941. 4. Yes.

2942. 5. Yes.

2943. 6. This process can be checked if Government starts land mortgage banks.

2944. 7. No.

2945. 8. The system of *rahti* loans is very good and has proved very convenient to most of the agriculturists.

2946. 10. I would suggest that the Government should start agricultural banks, and the agriculturists should have money dealings with such banks only provided that in time of need such banks are able to draw upon the bank (Imperial?) in case of need.

2947. 11. There is no arbitration board in the village, nor is it recognized by anybody. A *panchayat* is useful only in the disposal of social questions, but it should not be given civil or criminal powers.

B.—FINANCE FOR AGRICULTURAL PRODUCTION.

2948. 12. Agriculturists borrow money from their respective money-lenders for the purchase of seed, cattle and manure according to their needs. Such loans are advanced more in kind than in cash.

2949. 13. *Takavi* loans have not proved of any great help to the people, because it is not advanced according to their needs. However, something is better than nothing. It is absolutely necessary to start a Government bank in order to meet the *takavi* demands and other necessary expenses.

2950. 14. No.

2951. 15. The Government should purchase the produce as well, because when the produce is handed over to the *sahukars*, they underweigh the produce and fix up different rates.

2952. 16. The annual maintenance expenses of an average family consisting of five persons amount to Rs. 250. The annual seed expenses

Lala Harsaran Das and Mr. Mohamed Alam Khan.

amount to Rs. 100. At present the capital available is not adequate to meet their demands.

C.—FINANCE FOR MARKETING.

2953. 17. The marketing centre of this *ilaga* is Shahdara. Grain, *ghee*, *gur* sugar and milk are brought to this market, and vegetables and fodder are taken to Delhi and sold there.

2954. 18. The bank does not take any part in the purchase and sale of the produce. When grain, etc., are brought to a shop in the market, the shopkeeper auctions it, and either purchases it for himself or for his *artias*. Very often the shopkeepers combine and do not make high bids and after purchasing at cheap rates, send the produce to outside stations. In such cases the agriculturist who brings the produce suffers a loss, because he does not get his full price and his share of the profit is unappropriated by other people. Those people who bring produce from outside the *ilaga* have to pay something; the purchaser has to pay 3 pies per rupee and on some commodities 6 pies per rupee. But the purchaser, when making a bid takes into consideration this charge and offers a low rate. This charge of 3 or 6 pies is therefore borne by the agriculturist, because his produce is sold at a correspondingly cheaper rate.

2955. 19. The grain is stored generally in a room in the house, and the agriculturist only takes such quantity to the market as he intends to sell.

2956. 21. There is no market here, though one is required for *ghee* and grain produce, provided the credit societies are prepared to take this work in hand.

2957. 22. There is no necessity.

LONG PERIOD LOANS FOR AGRICULTURE.

2958. 24. Long term credit is of absolute necessity. It is very difficult, rather impossible, for the agriculturists in general to obtain long term loans. Nobody advances loan for a period longer than 5 or 7 years.

2959. 27. *Takavi* advances do not meet the needs of the people; however they are of some help. *Takavi* loans should be distributed through the co-operative banks and not through *patwaris*.

2960. 28. The average value of land per *bigha* ranges between Rs. 30 and Rs. 100. The rate of barren land is Rs. 30 per *bigha* and of canal irrigated area Rs. 100 per *bigha*. The estimated value of the latter is 20 times the land revenue.

2961. 29. There are no impediments to mortgage and sale of agricultural land.

2962. 30. No bank advances loan against the security of land.

2963. 31. There is no bank for the provision of long term credit. One is required for providing long term credit.

2964. 32. The banks for the provision of long term credit should be started on the lines of co-operative banks, and its rules should be identical with those of the co-operative banks.

2965. 34. There is no harm if 2/3rds of the value of the land is advanced as a loan in case of mortgage.

2966. 35. Co-operative mortgage banks should be started, so that land may be mortgaged to them.

2967. 36. The rules should be the same as are in force at present.

2968. 37. Long term loans may be advanced on the condition that the borrower shall not sell or mortgage his land till the liquidation of the debt.

INDUSTRIES SUBSIDIARY TO AGRICULTURE.

2969. 38. Mostly milk and *ghee* are sold and an improvement can be effected in this direction provided money is advanced to these people for the purchase of she-buffaloes, and milk and *ghee* is purchased from them.

2970. 39. If the products of such industries were purchased by the co-operative bank, it would prove beneficial because generally the money-lenders purchase milk in villages at very cheap rates.

2971. 40. The farmer is almost always engaged in agricultural pursuits and does not get any time for any other pursuit without detriment to his farm.

RURAL CO-OPERATION.

2972. 41. Co-operative societies only advance loans and do not indulge in any banking business. The defect of the co-operative societies is that they do not advance money according to the needs of the people, but advance less than their requirements. In my opinion there is no harm if loans for the purchase of seeds, manure and oxen are advanced against the security of land, or other property or against personal security.

2973. 45. Rs. 300 a year will be required for a family of five members. An estimate for the whole village can be arrived at by multiplying this sum with the number of ploughs in the village.

2974. 46. No.

NON-AGRICULTURAL CREDIT AND INDEBTEDNESS.

2975. 43. The rate of interest ranges between 1 to 3 per cent. per mensem. People generally go to their respective money-lenders for purposes of borrowing. The co-operative banks are not sufficient in number to meet their demands. A large Government bank should be started for the purpose.

2976. 49. No.

2977. 50. No.

2978. 51. In order to meet all the demands of a farmer the co-operative bank should advance Rs. 300 per plough.

2979. 95. Co-operative mortgage banks should be started at Shahdara, Patpar, Mandoli and Ghaunda.

Rai Sahib Pandit Madan Gopal of Mahalpore, Member, District Board, Delhi (free translation from Urdu).

(Replies to the Questionnaire.)

2980. 1. I pick up village Mahalpore as an illustration.

(a) The amount of debt with land as security, which is in the form of a registered mortgage, amounts to nearly Rs. 16,000.

(b) In this village debts concealed in the form of a judicial sale are not incurred.

Rai Sahib Pandit Madan Gopal.

- (c) Debts incurred against ornaments amount to nearly Rs. 10,000, and those without a specific pledge amount to nearly Rs. 30,000. The purposes for which debts were incurred are:—

2981. (i) Marriage and other social customs.
 (ii) Famine.
 (iii) Growth of the debt by compound interest, interest not having been paid.
 (iv) Construction of houses.
 (v) Education of children.
 (vi) Purchase of cattle, and
 (vii) Litigation.

2982. The big landlords form the majority of the borrowers of these debts.

In order to limit borrowing for wasteful purposes, it is necessary to put a check to undesirable and wasteful social customs, to reduce the rate of interest and to find out means to counteract against the effects of famine. The debts incurred for agricultural improvements and for irrigation purposes and education of children head the list of debts contracted for productive purposes.

2983. The above mentioned amount of debt with land as security was advanced by the *zamindars*. The loans advanced against ornaments are mostly from money-lenders. Of the open debt, only Rs. 3,500 was advanced by the Co-operative Central Bank, Delhi, and the remainder by the *sahukars*.

2984. The Co-operative Society charges interest at the rate of Rs. 1-1-0 per cent. per mensem. The rate of interest charged on loans advanced on the security of ornaments is something like Re. 1 per cent. per mensem. Open debt is generally incurred at the rate of Rs. 2 per cent. per mensem. With the exception of the loans advanced by *sahukars*, all loans are advanced in cash; the *sahukar* advances loans in the shape of cattle, fodder, seed, cash, etc.

2985. 4. In this area the small agriculturists are replacing the bigger agriculturists and are better off than the latter, for want of facilities in contracting debts and consequently being obliged to put in more labour and incur less expenditure.

2986. 10. The Money-lenders' Bill introduced in the Legislative Council, Punjab, will prove useful.

2987. 11. There are no village arbitration boards in this Province, and if created, will prove useful to a great extent.

2988. 12. In this village the agriculturist obtains finance for expenses during cultivation and other special needs. The big landlords at first incur open debts, but subsequently being unable to repay these open debts, are obliged to incur debts against the security of land and thereafter they incur debts against the security of ornaments. They are generally anxious to keep up appearances and are of wasteful habits. The small *zamindars* find difficulty in raising loans and are pressed for repayment. Consequently they are more industrious and thrifty and are able to pay back the debt. They take loans generally for productive or agricultural purposes and are able to repay the debt; in view of this the normal rate of interest mentioned above is charged. Agriculture is chiefly financed by the *sahukars*; next comes the co-operative society, and last of all Government.

2989. 13. The *zamindars* favour *takavi* but in the first place it is not advanced in sufficient quantities, and secondly the process of distribution is so defective that the *zamindar* does not get it in time of need. The system of distribution is chiefly responsible for the difficulty in obtaining it.

2990. 14. Loans for productive purposes, such as agricultural improvements and sinking of wells, which conduce towards the improvement of the quality of produce and result in the freedom (of the agriculturist) from debt, should be granted by the Government who should render help in this direction liberally.

2991. 25. There is a great demand for long term credit in our village from both agriculturists and non-agriculturists.

2992. 27. Many people are anxious to get *takavi* loans, but the Government does not advance it in sufficient quantities.

2993. 28. The value of the land is between Rs. 300 and Rs. 500 per acre, and the average produce per acre is 10 maunds, and the market rate (of the produce) per acre is Rs. 50. Of course the *chahi* land produces 20 maunds per acre. No land was ever auctioned by Government to my knowledge, nor was any land sold in execution of a decree. Of course private sales have been effected, and the average value of the land has been given above.

2994. 30. Mortgage banks are of absolute necessity.

2995. 31. So far no land mortgage banks have been formed here.

2996. 32. My reply to all the clauses of question No. 32, is in the affirmative.

2997. 40. In my village and round about it, *khariya* (white earth) is obtainable from a depth of about 40 feet. This trade, being at present in irregular and irresponsible hands, does not bring much profit. If it is properly and regularly run by establishing an agency in some market, it can prove to be a very useful source of income to both the agriculturists and non-agriculturists in times when they are not engaged in cultivation.

2998. 41. There are only two co-operative credit societies in my village, but being started by inexperienced hands are in a very bad state, and instead of proving useful and attracting persons, they are despised by the public. I am in favour of co-operative movement, but some defective methods were adopted in starting these societies here. If general interest amongst the public is created and if it is started with care and the loan limits increased, the societies will surely prove useful.

2999. 48. White earth referred to in answer to Question 40, is obtainable in my village and also in the surrounding villages. If this trade is properly run and the commodity sold under proper supervision, it would help to reduce the debt and ward off famine to a great extent in this area. This trade should be helped partly by Government and partly by the establishment of co-operative societies.

3000. 55. Indigenous banking and money-lending is practised generally by *mahajans* and *bunias*; next come *zamindars*.

3001. 56. With the exception of money-lending and sale of grain they do very little business for want of sufficient capital.

Rai Sahib Pandit Madan Gopal.

COMMERCIAL BODIES.

Delhi Piece Goods Association.

2795. 48. The rate of interest charged on loans taken by urban communities in Delhi varies from 3 per cent. to 12 per cent. according to the standing and stability of the borrower. The loans are generally taken from private bankers and also from Indian joint stock banks.

2796. 49. There are in Delhi small factories for the manufacture of brass vessels, silver wares, tin buttons, real and imitation laces, braids, etc., tin boxes, cotton thread balls, gold and silver embroideries, brushes, textiles and also coloured pencils. There are no particular organisations for financing these manufactures but they make their own private arrangements which are found to be generally unsatisfactory and inadequate. Owing to quite inadequate financial facilities a number of such manufacturing concerns are forced to close down prematurely being unable to stand competition. We suggest that Government should provide special arrangements to finance such industries.

2797. 52. Export trade is generally financed by exchange banks.

2798. The import trade is chiefly financed by the foreign exchange banks. The shippers' drafts on the buyers in India are negotiated by these banks. When the goods arrive at the port of discharge generally these banks invest their money on duty and clearing charges and charge an exorbitant rate of interest, i.e., 10 per cent. per annum. On arrival of the goods at destination such as Delhi, Amritsar or Cawnpore they make advances to the dealers or importers and retire the drafts by opening loan accounts. In Delhi these banks have made a sort of a combine and generally charge a margin of 25 per cent. of the invoice value plus all clearing charges including the customs duty paid; thus the margin comes to more or less 40 per cent. In other markets, such as for instance, Cawnpore where there is no such combine the margin is only 25 per cent. of the invoice value, sometimes 25 per cent. of the invoice value and charges.

2799. At this stage financing of these exchange banks comes to an end. As soon as goods are taken delivery of from the banks, the dealers make their own arrangements for financing their business.

2800. Now the next stage is the sale of the goods to the retailers. The retailers generally cover their requirements through the medium of the *artias* (commission agents) and henceforth the whole business is financed by these *artias* unless and until their dues are paid back by the retailers. These *artias* generally make private arrangements for loans, etc., when needed. We now suggest that the margin for loans be reduced to 25 per cent. of the invoice value only, and that "Documents on Payment" drafts be converted into "Documents Accepted" bills to a certain limited extent for approved parties--according to the standing and stability of the party concerned. Such facilities are granted to traders in other countries.

2801. The rate of interest on charges, which is fixed at 10 per cent. should be reduced to more or less 6 per cent.

2802. 53. On account of inadequate financial facilities for the grower of produce in India the producer does not get full value for his produce. Arrangements for financial facilities should be made in order to check the activities of the speculating firms and in order to enable the grower to get the full value of his produce.

2803. **55.** Indigenous banking in Delhi is not confined to any particular community; but any person or firm having money is doing money-lending business.

2804. **56.** Generally indigenous bankers do business in money-lending as a side-line; at the same time they do their regular trade in various other lines and ways.

2805. **57.** The indigenous banker or money-lender finances trade by granting loans on the security of the goods and also unsecured loans are granted against *hundis*, etc. This is done only to a limited extent which is quite inadequate for the requirements.

2806. **58.** (a) No fixed amount is invested but whatever comes into their hands is utilised for the purpose.

(b) The volume of business is not very extensive but only limited.

(c) Their expenses are not big but are generally limited to maintaining a very small clerical staff.

(d) Some of them are keeping running accounts with big banks but many confine themselves to their own capital and prefer to lend the same to private parties at higher rates of interest than banks. Some of them even take loans against *hundis* from banks and grant same at somewhat higher rate of interest to other private persons who cannot easily get loans from big banks. Thus they only content themselves with the extra margin of interest which in many cases is not much.

(e) Facilities from Imperial Bank are limited to persons of very high standing only.

2807. **66.** Indigenous bankers have often to refuse accommodation on account of the unacceptable nature of the securities offered although they have generally sufficient capital to give accommodation to a reasonable extent. Very often *bona fide* traders are unable to get any money from such bankers, being unable to procure acceptable nature of securities. The hand to mouth living of most of the traders is due to their not being in a position to finance their business properly. Some adequate arrangements must be made for the assistance of such *bona fide* trade-people.

2808. **81.** The tendency for hoarding is decreasing now-a-days, at least as far as certain communities are concerned.

2809. **84.** The cheque habit is gradually increasing but is confined to educated rich and middle classes only and also to businessmen in cities. The abolition of stamp duty has also been helpful, but not much.

2810. Payment by cheque of salaries above Rs. 100 will, to some extent, increase the cheque habit.

2811. Use of vernacular scripts in banking will have no effect. These being mostly printed forms, customers are well impressed in their minds as to what they are and they do not care for the script used in such forms.

2812. **85.** Banking and investment habit is of slow growth in India. Hand to mouth existence of the masses is the chief cause of this. One whose income is barely sufficient for his living and those dependent on him will not care to invest what one gets in a bank to be withdrawn the next day.

2813. Post office savings banks are the chief means available for the saving of the poor which afford all facilities, except that there are too many restrictions as regards withdrawals. Lower middle classes only resort to this form of saving.

Delhi Piece Goods Association.

2814. **86.** Post Office Cash Certificates are popular with the educated middle classes and many people resort to this way of saving and safe investment.

2815. It is difficult to attract other classes to the Post Office savings banks as those who get larger income prefer to go to banks for the purpose

2816. **88.** Propaganda and educating the public may help to some extent but not greatly.

BANKERS AND MONEY-LENDERS.

Mr. Sat Narain Gurwala, Municipal Commissioner and Secretary Panchayat Sarraffa (Bankers Association) Delhi.

2817. **10.** I do not suggest any thing of this sort as it practically implies that money-lenders as a class are dishonest which is not a fact. It is more correct to say that the real disease is in the borrower who is not only thriftless and extravagant but has become dishonest in his dealings with a village moneylender. It is often found that the borrower who advances false pleas in his defence admits the whole claim when the matter goes to arbitration.

2818. Apart from this there are serious practical difficulties in the way. The village money-lender is more often a small man with no establishment excepting his ownself and with no training in account-keeping except the capacity to jot down a few figures and keep a small memorandum. So far as the bigger men are concerned such a measure is unnecessary as every big *shroff* already keeps proper accounts in the language of business men. Any attempt to force the small man to keep account books in a prescribed form or the big man to maintain a different form of account than his firm has been keeping for ages past will increase expenditure involved in money-lending and consequently lead to higher interest charges.

2819. But it is possible for Government to attach certain valuable privileges to an obligation to keep accounts in a particular form. Supposing persons keeping accounts in the form prescribed by Government are given facilities for their suits being decreed in the same way as the claims of co-operative credit societies and they are also allowed certain concessions in the matter of Court Fees or stamp duty on the bonds quite an appreciable number of money-lenders will find it to their interest to comply with the wishes of Government without feeling compelled to raise their rates of interest. The Punjab Money Lender's Bill in its present form will do nothing but harm both to the creditor and the borrower.

INDIGENOUS BANKER AND MONEY-LENDER.

2820. **2 and 12.** Delhi is an ancient centre of indigenous banking in India. But of late the business of the indigenous banker has been declining. Even to-day it is still an important centre of indigenous bankers. The business is pretty well organised and indigenous bankers have an

Association of their own, of which my father is president. It is a fully representative body of various classes of persons doing *hundi* business. It maintains a high standard of commercial morality among the indigenous bankers, settles all disputes that arise, and lays down general rules for the future. But if Government were to give a subsidy to this Association it can do much more useful work as an organisation for the promotion of indigenous banking and the training of indigenous bankers. In order to understand the present deplorable condition of the indigenous money-lenders and bankers it is necessary to recall the state of affairs in the past. For centuries, even in periods when there were very defective means of communication, the old system of financing agriculture, internal trade and even Government Revenue Departments stood the shock of severe famines. The village economy is even to-day largely based on a system of barter. The villager living in a small village produces on a small scale, buys commodities for his every day life in small quantities and requires finance both for agricultural production and marketing in small quantities. The village money-lender has therefore to perform the role of a dealer in commodities, purchaser, seller of the produce of the village to persons outside the village, of a commission agent on behalf of others, a channel for remittance of funds from scattered villages to *mandis* and towns, along with the functions of lending money to the agriculturists. He is not, as is sometimes imagined, a big man rolling in wealth and fattening on the labour of others, but a very small man working hard in various capacities and trying to live and eke out his living by sheer force of thrift, businesslike habits and hard work amidst conditions which very often involve risks both to his person and property. He was formerly a highly respected person of the village community and in fact the villagers used to invite men of his class to come and settle in the village, for he was indispensable to the village economy. Formerly he was connected with bigger *banias* in the *mandis* and big towns and used to be trusted with funds from the town and city *shroffs*. The town *shroffs* carried on banking on an extensive scale and used to be honoured even by Native States and appointed Government agents for the collection and transmission of Government revenues. There was thus a long continuous chain of intimate connections between Government and the city *shroffs* at one end and the village money-lender at the other. To-day the conditions are just the opposite. Government gives no protection or patronage or its funds to the indigenous banker in the city. All Government funds are either in the treasuries or in the Imperial Bank. The village moneylender has been ruined by Government policy. His business has been made more risky, and instead of being an honoured and respected member in the village community and in official circles he is now an object of suspicion and the subject of a systematic propaganda carried on by the Co-operative Department and by well meaning social workers who are hopelessly ignorant of the actual conditions. His virtues of thrift and business-like habits receive no recognition at the hands of Government. On the contrary Government is using legislation to complete his ruin. All laws in favour of the agriculturists such as the Punjab Land Alienation Act have undermined the character of the agriculturists and encouraged him to believe that his land is perfectly safe no matter how extravagant, lazy and thriftless he may become. The security on which the agriculturist borrows has become worthless with the result that the risk of lending him has to be covered by a large increase in nominal interest charges. Even then the recovery has become a matter of very great difficulty. With a demoralised character, with the increase of the number of cheap pleaders

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who can suggest to him all sorts of fraudulent and dishonest pleas with a view to deny his debts and make it difficult to recover loans in any reasonable period, with complicated laws passed with a view to protect them, with the break-up of the joint families bringing up all sorts of heirs to contest execution proceedings, it has become almost a hopeless task to recover even a portion of the loans except by great tact and a promise to lend more. The difficulties of the money-lender exists in not only getting his claim proved and his interest admitted in the face of protective laws in favour of the agriculturists and the prejudice against him among the judiciary but also in execution proceedings. Even when he succeeds in getting a decree against the agriculturists for his principal and 12 per cent. interest he is generally not awarded interest after the decree; instalments are granted to the agriculturists not only at the time of decreeing the suit but also at each execution application. With years of scarcity becoming frequent in this Province, the decrees of law courts have become merely paper decrees kept alive by repeated execution applications without recovery and with some costs only in the hope that perchance at some future period there might be some recovery. The high rates of interests are thus only nominal for the majority of the agriculturists. They are, however, high to the few honest agriculturists whose security has been lessened by all the causes I have enumerated above. Nothing short of the repeal of this protective legislation will lower the rates of interest and restore the harmony between the village money-lender and the borrower—I would rather say the village dealer because he is primarily a village dealer in commodities. It is often forgotten that the village dealer does not at all want to become a landlord. If the land passes into his hands in areas in which there is no Land Alienation Act, it is only because he is unable to recover otherwise his legitimate principal and interest. In fact he feels embarrassed in his business if his money is locked up in land. But he must have security for his business if he has to finance agriculture. Everything that tends to weaken the security of borrower, which in the case of agriculturist is in the last resort his land, ruins not only the village dealer but also the agriculturist.

2821. The co-operative credit movement was supposed to make a permanent improvement in the security of the borrower. But can any one say that it has had that effect? Are the members of the co-operative credit societies after remaining for years in the co-operative movement able to borrow in the open market or from the village *sahukar* at cheaper rates of interest than before? Have they become more thrifty, more businesslike, more prosperous in respect of their annual income, more punctual in their repayment, and more honest? If the co-operative movement had effected this improvement each individual member of the co-operative society would have had more credit with a village or town money lender.

2822. In reality the co-operative societies have done nothing but harm. The agriculturist borrows both from the society and the *sahukar*. He borrows from one to repay the other, he plays off one against the other. The security for each has become less than before. It has made the village moneylender less considerate than before. It has divided the village into parties it has rather preached hatred against the *bania* than endeavoured to hold the *bania* up before the villagers as an example of thrift and businesslike methods. The co-operative society with 12½ per cent. rate of interest is even to-day less convenient to the villagers than the *sahukar*. It takes time to get a loan from the society. The

society has to be repaid in cash; the society obtains a decree against him promptly and without dispute. In all these respects a loan from the *sahukar* even at a slightly higher rate of interest is far more convenient to the villager. Even in respect of control the *sahukar* exercises it more in the interest of safety of the loan than the mutually obliging thriftless members of the co-operative society.

2823. The harm done to the village dealer is not confined to the village. The village dealer must live if he is to carry on his business. If money-lending does not pay him, he not only cripples agricultural industry by not financing it adequately but also has to charge higher price in his sales both to the agriculturists of the village and the outside market of which he is the distributing agent. The cost of maintaining himself falls upon a smaller volume of money-lending and a smaller volume of business in commodities done by him, and the prices must therefore go up. The security of his debtors being less he is trusted much less by the town merchant and the town *shroff* because they feel that money with him is not as safe as it was before. When he borrows for his business he has to pay a higher rate of interest; ordinarily he contents himself with becoming practically a commission agent or a small trader on his own account. His credit being less the *hundis* between him and the *hundi shroff* or the city *shroff* are becoming rare with the result that the volume of trade bills declines and more cash in the shape of rupees and notes has to be sent to the *mandis* for financing the crops. The city *shroff* has suffered in business not only on this account but also on account of various other causes. He has ceased to be the agent of Government. His deposit business has declined because of the competition of the joint stock banks, exchange banks and the Imperial Bank. His remittance business has declined because of the opening of the branches of the Imperial Bank and of joint stock banks. With no free funds from Government, with no appreciable deposits on current account or even fixed deposits, with competition of a bank like the Imperial Bank with huge free funds from Government and of the city co-operative banks with the prestige attaching to it on account of its supposed connection with Government, he is compelled more and more to mix up trade with banking and charge higher price for remittance to places where there are no branches of banks.

2824. If indigenous banking is to perform the services it rendered to the public in former times all these causes must be removed. The village dealer's or moneylender's business must be made more secure by the abolition of the Punjab Land Alienation Act and all other protective legislation in favour of the agriculturist and by affording him reasonable facilities for recovery, by stopping the propaganda of hatred preached by the Co-operative Department and effecting some co-operation between him and the Co-operative Department. The field of work between the joint stock banks, exchange banks and the indigenous banker should be defined so as to prevent undue competition. The Imperial Bank should either have no funds of Government or facilities of remittance through treasuries or it should be prevented from dealing with the public except through approved indigenous bankers and should be compelled to charge low rates of remittance to indigenous bankers and joint stock banks. There are many places in this country where it will never pay a joint stock bank or the Imperial Bank to open branches and approved indigenous bankers should be encouraged to maintain their agencies at these places by giving them a portion of the Government funds free of interest, by giving them facilities for moving funds through

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treasury offices at nominal rates, by making them agents of the Imperial Bank for the purpose of accepting deposits on certain conditions and against suitable guarantees to ensure safety.

2825. When the Alliance Bank was in trouble the Imperial Bank came to its rescue but when the indigenous bankers are in trouble the help from the Imperial Bank seldom comes even though land and other security can be offered against accommodation. The rules of the Imperial Bank favour only a few approved persons and that also only when their promotes are endorsed by two parties. Thus it is not an open door, open to all who give sufficient security of assets. Very few respectable bankers will like to get their notes endorsed by another and their difficulties made known even to their intimate friends but they would readily offer adequate security to the Imperial Bank if the rules are relaxed.

2826. 68 and 84. The use of cheques has grown by the abolition of stamp duty and I am sure the use of *hundis* will also grow if the stamp duty is either abolished or reduced considerably. The present stamp duty is seriously affecting the popularity of the *mudati hundi*.

Mr. Ramkrishn Dass, Chandiwala, Banker, Treasurer and Municipal Commissioner (of the firm of Messrs. Isri Dass Benarsi Dass), Delhi.

2850. In the following memorandum I have dealt with the position of the indigenous banker in Delhi both in the past and the present. I have restricted myself to the bankers and money-lenders who appear in the money market of the city, thus excluding those who privately lend money (on very high rates of interests) to thousands of individuals (such as the *Pathan* money-lenders, the *rahtis*, etc.). The indigenous banker has always occupied an important position in the internal finance of the country. In order to understand his present position in the money market, it is necessary for us to go back and clearly understand the part played by him in the financing of trade and industry.

2851. Till recently (about 15 years back) the indigenous money-lender was in every sense a banker because he not only advanced money, but also used to receive deposits. This is really the function of a banker.

2852. This business is generally associated with the *raishya* community but other communities are also entering into it. Pure money-lending is carried on by almost all communities including Mohammedans. Even *kulvais* lend their surplus money to traders.

2853. Their functions were:—

(1) To receive deposits from individuals at rather low rates, and to advance loans at slightly higher rates. Loans were advanced both on personal and material security including landed property.

(2) To purchase demand drafts (*hundis*) at a discount on important centres of trade, such as Calcutta, Bombay, Karachi Jaipur, Agra Simla, etc. These demand drafts were sent to their *Artias* in the town on which the *hundi* is drawn, for collection. The latter remitted the money mostly through *hundi* on Delhi and other centres after deducting their own commission.

(3) To purchase, sell and discount *hundis* other than demand drafts. The period of their duration varied from 30 to 90 days after sight. These were known as usance *hundis* and included both genuine trade bills and pure finance bills.

These bills in common use were generally of the value of Rs. 2,500 and were always readily saleable in the money market.

(4) Some dealt in pro-notes also but on the whole the use of this kind of paper was practically negligible.

2854. The capital of these bankers was partly their own, partly deposits from individuals (average 15 to 20 per cent.) and partly credit advances against *hundis* from the Bengal Bank (now Imperial Bank).

2855. The Bank had fixed the maximum amount of advance in case of every *shroff*, according to his credit in the money market.

2856. One class of bankers was that which employed mostly their own capital in their business, and purchased *hundis* on dealers in the general security of their reputed financial standing.

2357. There was another class whose business was simply to get profits for their long-standing credit in the money-market. They purchased all sorts of *hundis* at a high rate of discount and after endorsing them (and thus becoming responsible for its payment) sold them off to other *shroffs* at a slightly lower rate of discount. There was quite a large number of bankers of this type in the money market.

2858. There was a Banker's Association of about 80 members, most of them carrying on this type of business; they worked like accepting houses. This association still exists in name, but most of its members either have ceased to do this business or the firms have failed.

2859. The rates of interest that they charged on short period loans (even 4 or 5 days in many cases) were as follows:—

6 per cent business rate, *i.e.*, the rate that they charged from *Sahukars* (*Sahukari* rate).

7½ per cent., charged to ordinary *artias* and cloth merchants.

9 per cent. to 12 per cent., charged to small grain dealers, fruit merchants (dry), vegetable dealers, etc. These rates continue to this day as the prevailing customary rates.

2860. The deposits were of less importance than *hundi* dealings, on the average, the former business was about 20 per cent. of the latter. The rates of interest allowed on deposits varied from 3 to 6 per cent. The bigger *shroffs* being in possession of considerable surplus funds generally paid low rates of interest to their depositors. Still they attracted considerable deposits because of their credit in the market.

2861. Thus we see that the entire trade of the city was financed by these indigenous bankers, and mostly on the security of the most desirable kind of paper, *viz.*, trade bills or *hundis*. Practically all the grain dealers of Khari Baoli (including the *gur* merchants), the iron merchants, the timber merchants the *Kaseras* (*bartan walas*) financed their business through Usance *hundis*. In many cases the goods were sent directly from the *mandi* to the exporting port, but their financing was done through Delhi, *e.g.*, the cotton trade. Cotton was sent directly from Hathras, Kosi, Palwal, Agra, Muttra, Karnal and other *mandis* but their financing was done through the bankers in Delhi.

2862. Consequently quite a large number of the indigenous bankers drew their income entirely from their *hundi* business. My own income from this business alone was substantial.

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2863. Some, however, carried on some other business along with *hundi* transactions, e.g., bullion business or grain dealings. Landed property was another source of their income.

2864. Unfortunately the competition of the banks, especially the Imperial Bank, severely affected the business of the indigenous banker. Formerly these banks had no branches in the interior of the Province. Their *hundi* dealings were restricted only to the big *shroffs*. They could not directly deal with the ordinary trader.

2865. The indigenous banker used to charge about 5 to 6 annas per cent. on demand drafts (2 annas as their own commission, 2 annas as the commission of the *artia* to whom the *hundi* was sent for collection, 1 anna as interest and 1 anna for remittance charges). The banks on the other hand charge, as low as 1/16th per cent. and certainly not more than $\frac{1}{2}$ per cent. which is the Imperial Bank rate.

2866. The advantages of the banks are:—

(1) They have their own branches in all centres of trade (thus in the Punjab, we have the People's, and the Punjab National Banks, in U. P. the Allahabad Bank, in Bombay the Central Bank, and finally the Imperial Bank in so many centres of trade), and thus no commission is paid to the collecting agent (the *artia*).

(2) They do not actually remit money. In banks remittance generally means only book transfer; thus there are practically no remittance charges. The Imperial Bank thus charges nothing for transfer remittance up to Rs. 5,000 to customers who keep current account with the Bank.

(3) Their money circulation is very wide, and thus they can afford to charge a very small percentage as commission.

(4) Lastly, there is the psychological reason. Some people prefer to deal with banks, especially the Imperial Bank, as they have not only larger resources in the money market but charge less for banking business.

2867. The increasing competition of the banks rendered it difficult for the indigenous banker to maintain his position. Gradually he disappeared from the money market of the city and to-day there is hardly a single banker in the real sense of the term.

2868. The *hundi* and the deposit business is almost entirely taken up by the joint stock banks and the Imperial Bank. The banker is now reduced to the position of a money-lender or money-lender and merchant.

2869. This change was due to the very low margin of profit of these bankers. During the boom period of the Great War they found themselves at a disadvantage as compared to the merchant community and naturally there was a temptation for speculation. The unsuccessful speculation in cloth, sugar, iron, copper, brass, etc. ruined a large number of the indigenous bankers. The trade depression after 1920 also affected their business adversely and continued the process of their disappearance.

2870. To-day the money-lender is really a merchant who advances his surplus funds for short-period loans—varying from one month to twelve months. Money-lending is only his side-business. The borrower has also some advantage. He can now get any amount of money by affixing 1 anna stamp on the receipt, instead of paying a stamp duty of one and a half anna per cent. on a usance *hundi* by means of which he used to meet his requirements formerly.

2871. The rates of interest charged on these loans vary from 2½ to 9 per cent. per annum, according to the demands of trade, and also the borrower's credit in the money market. These loans are generally advanced on personal security, though grain and other kinds of stock are sometimes taken as security. Loans for more than a year are sometimes advanced against landed property as well. The market rate of interest is largely influenced by the Imperial Bank rate in the busy season, because there is hardly any banker who is carrying on his business entirely from his own money in the busy season. If the Imperial Bank rate rises, money is withdrawn from the market and thus other banks and bankers are obliged to raise their rate of interest in the busy season.

2872. Although the joint stock banks, and the Imperial Bank, are now able to do the business at a lesser cost to the merchant the change is on the whole, certainly not for the better. Along with the introduction of the direct relations between the banks and the *mandi* dealers, a very large number of merchants and traders have ceased to carry on their transactions by means of *hundis*. Thus, in spite of a considerable increase in the total volume of trade, the circulation of *hundi* is considerably reduced (is about 60 per cent less).

2873. The increase in the stamp duty on usance bills (to 6 pies per cent.) is, also largely responsible for the decrease in this kind of *hundis*.

2874. But the most important reason for this change is the inadequacy of the facilities granted by the Imperial Bank to the indigenous bankers. The maximum amount of the credits of the big *shroffs* (the amount up to which they could get advances) has been considerably reduced, and therefore, these bankers are not in a position to purchase *hundis*, not only that, the Imperial Bank has granted certain facilities as regards the sale of *hundis*, remittances and advances, to the joint stock banks, but treats the indigenous bankers as ordinary merchants denying them unjustly the privileges of all facilities granted to joint stock banks. For instance it charges joint stock banks ½ anna per cent. on remittances as against 1 anna per cent. charged to indigenous bankers.

2875. Due to this comparative scarcity of usance *hundis* trade and industry are not properly financed. When the money market is tight, the Imperial Bank cannot render any kind of assistance for want of bills nor does it advance loans on the security of landed property. Thus, in the busy season the market rate of interest sometimes rises much above the Imperial Bank rate. Moreover, the money-lenders of to-day who are, as explained above, really merchants and traders, are not able to meet entire trade demands for money. In many cases they have to disappoint the borrower because of the insufficiency of their working capital.

2876. All this leads to one important conclusion, *viz.*, every effort should be made to increase the circulation of *hundis*. But this is not possible without the indigenous banker, who alone intimately knows the individual dealers. His position should, therefore, be strengthened as far as possible. In the first place indigenous bankers should be recognised by the Government in order to command more credit in the money market.

2877. Secondly, there should be a central bank like the Reserve Bank of India recommended by the Hilton Young Commission. It should be purely a banker's bank and should not be allowed to deal directly with individual customers, because a central bank should not, on principle compete with private banks and bankers. Its main business should be rediscounting of bills of trade.

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2378. The Imperial Bank at present enjoys considerable privileges. It keeps huge Government funds free of interest. The Municipalities and the District Boards also keep their money in the Imperial Bank. A large number of creditors also prefer to keep their current accounts with it, because it is regarded as a Government Bank. The Imperial Bank is, therefore, able to carry on a very unfair competition in the money market.

2879. Thirdly, the facilities as regards the sale of *hundis*, remittances and advances that the Imperial Bank has given to joint stock banks, should be extended to the indigenous bankers also. The most important are; undoubtedly, financial facilities. No improvement, no progress is possible unless the central bank gives considerable facilities for finance to the indigenous bankers. The Imperial Bank or the central bank should not compete with the indigenous banker and always be willing to advance credit to indigenous bankers to any extent to which trade bills are presented or adequate security is available.

2880. Further, there are many places where the Imperial Bank has not opened a branch of its own. In fact, India is such a vast country that the Imperial Bank, or any other bank, cannot be expected to have its branches in each and every village and town. In the absence of a branch of the Imperial Bank, the indigenous banker should work as its agent. He should be given financial assistance—credits by the Imperial Bank free of interest—in proportion to the total volume of his *hundi* business. In return some conditions might be imposed upon him, e.g., he might be asked to open his account with the Imperial Bank.

2881. Fourthly, the stamp duty on usance bills should be appreciably reduced because it seriously affects the use of this kind of paper in business transactions.

2882. The present Insolvency Act is also very defective. Under the present Act it is very easy to declare insolvency and the Court has absolutely no power to reject an application for insolvency, if the applicant owes more than Rs. 500. It has a very demoralising influence and should be so amended as to make it more difficult for anybody to declare himself insolvent.

2883. These are some of the measures that might be introduced to strengthen the position of the indigenous bankers and also of the joint stock banks, if they deal with the bankers only, instead of directly purchasing the *hundis*. The use of bills of trade would be encouraged if proper rediscount facilities are available at a bank that does not compete with the indigenous bankers in banking business. We shall have a better organized money market, and better means for the financing of trade and industry.

Note on petty industrialists.

2884. In our province there is considerable scope for the petty industrialists also. Under the present conditions they are severely handicapped because of want of sufficient finances. For them there is only one source of help, viz., the co-operative bank. The working of the Co-operative Department in this connection is very defective. They believe that they are meant only for the agricultural community, and have to deal with the *zamindars* only. This impression should be removed from the minds of the officers of this Department. The co-operative bank should advance small sums of money up to a maximum of Rs. 5,000 to petty industrial concerns.

OTHER INDIVIDUALS.

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AGRICULTURAL CREDIT.

Rate of interest on loans.

2885. 2. (i) *Tokari* is advanced to agriculturists direct by the state, at 6 per cent. per annum for the construction of wells or purchase of agricultural implements on the security of land, for a period of 5–15 years. It is payable at harvest by instalments along with the land revenue, and is collected along with interest through the *tehsil* peon. In case of non-payment the loan is recovered by auction of the land of the defaulter.

(ii) Agricultural credit societies numbering 233 charge $12\frac{1}{2}$ per cent. per annum for loans advanced to members only on their unlimited liability for short periods, for necessary purposes including marriage excluding litigation and extravagant expenditure. Defaulters are referred to the Registrar, Co-operative Societies, whose decision being final is executed through the law court.

(iii) *Mahajan*, the merchant banker prefers loans in kind, retains $\frac{1}{2}$ seer margin on both sides, picks up the entire harvest for the recovery of loan, leaving just a subsistence allowance to the borrower for six months. His usual rate for cash loans is 24 per cent. per annum.

(iv) *Zamindar* banker, advances loans in money or in kind at 24 per cent. per annum and recovers the loan at the harvest. In case of default the matter is referred to the law court for decision.

NON-AGRICULTURAL CREDIT.

2886. (a) *Pathan* money-lender charges 80 to 120 per cent. interest for petty loans advanced against personal security generally to bankers, pedlars, etc., for a few days. He recovers his loan by use of force.

(b) *Rahitia* finances the poor people in distress such as the depressed classes, labourers and petty shopkeepers. He advances loans at 37 per cent. per annum by a written or verbal contract either on personal security, or on the security of ornaments, utensils, furniture, generally for a month or so, and recovers the loan by reference to a court of law in case of default.

(c) Indigenous banker known as the *sowkar* lends against property stock of goods and *hundi* for various periods, up to 3 months on rates varying with the market conditions. The ordinary rate in the active season is 7 to 9 per cent. In the dull season the rate falls as low as 3 per cent.

(d) Joint stock banks give short period credit up to 3 months at 7 to 9 per cent. per annum against endorsement of two well-known persons, also on material security, bill of exchange and Government paper.

(e) Imperial Bank charges generally 8 per cent. per annum. It discounts bills. Its discount rate falls to 7 per cent. in the dull season in June and then gradually rises till it reaches the top at 8 per cent.

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in February. It is the bankers' bank and the Government banker. It keeps Government balances free of interest.

(f) Non-Agricultural Credit Societies allow loans to their members only at 12½ per cent. per annum.

(g) Co-operative Central Bank, Delhi lends to co-operative societies of the Province at 8½ per cent. per annum.

Loan Acts.

2887. 3. (i) The Punjab Land Alienation Act of 1901 amended in 1907 prohibits sale and mortgage of agricultural land to non-agriculturists. The Act does not touch the *zamindar*-banker. It tends to encourage consolidation of holdings. So far it has worked to the advantage of the cultivators by restricting the power of the money-lender

(ii) The Land Improvement Loans Act 1893 permits direct state loans for small irrigation works for a maximum period of 25 years.

(iii) The Agriculturists Loans Act of 1884 allows state loans to agriculturists for the purchase of seed, cattle or any other purpose connected with agriculture. It has proved of immense value in periods of distress. But these acts are not designed to meet the normal requirements of agriculture. People know very little about them. Insistence on regular recoveries of loans, and delay in dealing with applications for loans have considerably detracted from their popularity and usefulness.

(iv) The Usurious Loans Act, 1918, amended in 1926 gives wide powers to courts to check usury. Its object is to believe the people of some of the worst evils of uncontrolled usury. When there is no material security behind the debt, the debtor can force the creditor into the court simply by refusing to renew the loan, and the court has the power, under act, to enquire into the equity of the terms of contract.

(v) The Redemption of Mortgage Act 1913 empowers the Collector to redeem the debt up to Rs. 1,000 if he thinks that the mortgagor has paid a proper sum on account of the debt.

Nos. (iv) and (v) are a dead letter in the Delhi Province. People have no idea about them. Improvements to make loans act more effective and more useful should be made.

2888. To meet the devil of ignorance and illiteracy, nothing would be better than free and compulsory primary education. Study of land and loan Acts as a part of text in rural schools would add to their popularity. *Takavi* would be more effective if it could be advanced through agricultural credit societies, and the process simplified. The Co-operative Act may be modified if necessary, to permit long term loans through co-operative societies or through a mortgage bank on the security of land or its produce.

2889. 4, 5, and 6. In the Delhi Province most of the borrowers are members of the same caste as their creditors. Hence the creditors do not like to deprive them of their land. There is no necessity for legislation. The caste spirit is at present a sufficient safeguard against ejection.

2890. 7. For reasons stated above, personal service is not exacted from caste members in lieu of interest or loans.

2891. 9. *Vide* answer to Q. 3.

2892. 10. Legislation for publication and auditing of accounts of money-lenders is a paramount necessity. To ensure fair dealings we would recommend a fair rate. Failure of Usurious Loans Act points to the wisdom of fixing a legal maximum rate of interest. The legal maximum should be reasonable and fair to all parties concerned. It may be determined after consulting the representatives of money-lenders and agriculturists. The average net income of a farmer provides a sound basis and the practice of co-operative societies and joint stock banks is the safest guide. The maximum may be fixed close to 12 per cent. against material security, and at a higher figure say 15 per cent. against personal security, allowing 3 per cent. margin for extra risk involved in personal loans. The present rates are 24 per cent. for material security and 37 to 100 per cent. against personal security.

2893. 11. There is no arbitration board in the Province. Registrar, Co-operative Societies, Delhi is the only arbitrator for co-operative loans. That is quite essential at present. But the aim should be to educate the members, with a view to develop the *panchayat* ultimately into an arbitration board.

2894. 13. The cultivator borrows *takavi* generally in distress caused by famine or epidemics. Free use of *takavi* for normal requirements is difficult. It encourages illegal gratification, requires a lengthy procedure and demands stringency in repayment. It is not paid on the spot. The applicant has to come to the imperial city of Delhi where he is sure to waste a part of the loan in idle enjoyments. It does not suit an illiterate borrower. He cannot decipher its provisions, nor can he feel satisfied with the elaborate system of recommendations and sanctions for remedy *vide* answer to Q. 3.

2895. 14. Co-ordination of credit. There is slight co-ordination at present between the money-lender and the joint stock banks that discount genuine trade bills and *hundis* endorsed by the money-lender. But the link between agricultural credit and the city banker is still wanting.

2896. There is considerable scope for the extension of agricultural credit either through a mortgage bank or through co-operative credit societies.

C.—FINANCE FOR MARKETING.

2897. 17. Marketing centres.

Crops.		Marketing centres.
(i) Wheat, cotton, chillies	..	Narela.
(ii) Jawar, Bajra, Gram ..	..	Mahroli and Najafgarh.
(iii) Tobacco ..	..	Shahpur Jat.
(iv) Miscellaneous crops ..	..	Delhi city.

2898. 18. The village money-lenders generally recover their loans in produce. They store the produce for sale with the city *artias*. They charge a commission of annas 12 per cent. on estimated value of farm produce and advance 75 per cent. of that value to the *mahajan*. The *artia* (storehouse man) draws a bill of exchange against produce and sends it for discount to a city money-lender or a joint stock bank. The money-lender endorses the bill and discounts the same at the current rate of discount. The endorsed bill is rediscounted by joint stock bank and finally sent for collection on maturity.

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2899. **19. Storage of produce.** (a) Farm produce is first stored in a *kotha*, the home store, before it is brought to the market. The *mahajan* keeps grain partly in the shop and partly in his house. Grain is carried to the market in gunny bags. These bags are piled one above the other in city stores of *artias* along the Burn Bastion Road, Khari Baoli, Jamma Masjid.

2900. **20. Licensed warehouses.**—Licensed warehouses system of United States of America is an excellent model for an agricultural country like India. It has achieved a considerable measure of success in western countries, and is the crying need of India of to-day. Its object is safe storage of agricultural produce for domestic trade and foreign commerce. The Warehouse Act of United States of America authorises the Secretary of Agriculture to grant a license on payment of a fee of 2 dollars per annum after a careful scrutiny of storage, gradation and sampling of goods consigned to the warehouseman. The warehouseman is expected to execute a bond with one or more sureties to ensure the faithful performance of his obligations under the Warehouse Act. Goods are classified according to quality by certified graders. The license can be suspended or revoked by the Secretary of Agriculture on the violation of the provisions of the act.

Possibilities.

2901. India is a big agricultural country with a huge consumption of agricultural produce and heavy exports of raw material. The following figures of export would indicate the scope and possibility of working licensed warehouses at Indian ports, on western lines.

Year 1928-29.

Exports of merchandise.

(Source.—Seaborne Trade of British India for March 1929.)

					Rs.
Raw Jute ..	..	..	..	..	3,234 lakhs.
Raw cotton ..	..	..	..	..	6,660 "
Grain pulses and flour ..	..	..	..	..	3,369 "
Seeds ..	..	..	..	..	2,962 "
Tea ..	..	..	..	..	2,660 "
Raw hides and skins ..	..	..	..	..	955 "
Metals and ores ..	..	..	..	..	891 "
Lac ..	..	..	..	..	864 "
Raw wool ..	..	..	..	..	488 "
Oil cakes ..	..	..	..	..	384 "
Paraffin wax ..	..	..	..	..	246 "
Raw rubber ..	..	..	..	..	196 "
Coffee ..	..	..	..	..	169 "
Spices ..	..	..	..	..	158 "
Opium ..	..	..	..	..	157 "

2902. Unfortunately figures are not available for inland trade but considering the size and population of the country it seems to be of equal, if not of greater importance. Licensed warehouses in all distributing centres of the country would be of great value.

2903. Delhi is the biggest distributing centre in Northern India. We require more than half a dozen warehouses for effective control and storage of raw material imported into Delhi. Suspicion is the breed of ignorance and resentment its natural ally. Dealers who make money by adulteration are likely to raise an alarm. They may be tempted to create an atmosphere of hostility towards any scheme of reform, the committee might contemplate. Adulteration is one of the greatest evils of the Indian business market. A licensed warehouse provides an antidote to adulteration, and can flourish only in a healthy atmosphere when the laws of adulteration are strictly enforced.

2904. The import figures show the volume of business the licensed warehouses might take up in the initial stages of their progress.

Imports into Delhi in maunds from 1st January to 31st December 1928.

(Source: Terminal Tax Revenue Returns of Delhi Municipality 1928.)

1. Wheat	18,16,568
2. Barley	1,01,899
3. Gram	7,20,323
4. Rice	2,82,199
5. Floor	2,18,135
6. Pulses	81,589
7. Other grains	4,27,808
8. Cotton ginned and unginned	2,63,654
9. Ghee	82,220
10. Tobacco	37,605
11. <i>Kenni Chura</i>	3,911
12. Hides and skins	2,36,187
13. <i>Gur, Shakar</i> and refined sugar.	92,515

2905. 22. Railway receipts and invoices are used for raising money in this province. No difficulties are experienced in their use.

2906. 23. Delhi has a good many metalled roads and offers unique facilities for motor transport on co-operative lines. Co-operative village stores linked to co-operative warehouses would solve the problem of marketing, and bring within the reach of the poor and middle classes fresh supplies of farm produce, dairy products, *ghee* and other raw materials of agriculture. That would lead to a distinct improvement in the health and strength of the province.

2907. 24. Bills cannot be used in villages, so long as people remain unlettered. Bills are discounted at city banks and form an important instrument in financing internal trade. At present the duty on *hundis* is rather high. The duty on bills may be reduced a little to encourage their use in internal trade.

D.—LONG PERIOD LOANS.

2908. 25. There is a pressing demand for long term credit on the part of cultivators and *zamindars*. They have to borrow for long periods for the purchase of cattle, implements as well as for pressing needs,

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such as marriage, funeral, litigation and payment of land revenue and for capital and permanent improvements.

2909. 26. As a rule long term credit is not advanced except by the Government in a period of distress.

2910. 27. Government sanctions Rs. 40,000 per annum as *takavi* for the whole of Delhi Province, but people seldom apply for the whole amount. The crops failed this year but only Rs. 20,000 were taken as *takavi*.

Legal impediments to mortgage of land.

2912. 29. Land Alienation Act and Redemption of Mortgage Act are the principal impediments to mortgage of land, but the capacity of the agriculturists to borrow is not appreciably reduced in this province since people can easily get loans from *zamindar* bankers.

2913. 30. There is no mortgage bank in the Province.

2914. 32. The Raiffeisen type village bank is expressly designed to meet the requirements for small loans only. The agriculturist has not funds enough for agricultural improvements. In the absence of a strong financial machinery for long term credit, agricultural progress would be as dead as a dream. The gap can be filled by a mortgage bank.

Scheme for a mortgage bank.

2915. Objects of the mortgage bank.

- (i) Redemption of land, and houses of agriculturists.
- (ii) Improvements of land and methods of agriculture.
- (iii) Construction of houses.
- (iv) Liquidation of old debts.
- (v) Purchase of land to encourage consolidation of holdings.

Directorate:—

2916. 1. Director of Agriculture, ex-officio.
2. The Controller of the Currency.
3. Registrar of Co-operative Societies.
4. A representative of the Imperial Bank.
5. An elected representative of share-holders.

2917. *Management.*—Efficient management is essential. Continuity of management is desirable to inspire confidence. The Registrar of Co-operative Societies may be authorised to appoint a qualified manager subject to the approval of the Board of Directors.

Capital of the Bank:—

	Rs.
Authorised capital	1,00,00,000
Share capital	10,00,000
Debenture Bonds payable in 20 years at 6 per cent. per annum	40,00,000
Loan from the Imperial Bank	40,000

Value of each share may be fixed at Rs. 10. Interest on debentures should be guaranteed by the Government of India. In case the share capital is not fully subscribed by the public, Government should take

the obligation of subscribing the balance, out of state revenue. The mortgage bank may advance loans for five to ten years on 50 per cent. of the mortgage value of land at $12\frac{1}{2}$ per cent. interest. In case debentures are not taken up by the public, Government should take up the balance, since the local municipality has no surplus for investment. To inspire confidence in debentures it would be a wise policy to bring them under trustee securities.

2918. 33. The mortgage bank may offer 3 to 4 per cent. interest on current account, five per cent. on fixed deposits, 6 per cent. on loans from the Imperial bank, and 7 per cent. on debentures guaranteed by the Government of India. Their loan rate should be fixed at $12\frac{1}{2}$ per cent. per annum. That leaves a good margin to cover expenses and to build up a sinking fund for the payment of its obligations.

2919. 34. For the purpose of mortgage, the value of land may be calculated on the basis of average produce, contract rent or land revenue, for the value of produce is a variable factor. Rent is paid partly in grain and partly in money. Land revenue fixed for 30 years seems to be the only sound basis for calculating the value of land.

2920. The value of *khadar* land varies from Rs. 75 to Rs. 100 per *bigha*, of *dahar* land from Rs. 80 to Rs. 100 and *nahri* land from Rs. 125 to Rs. 150 in this province.

2921. 35. Government interest can be safeguarded by official control of the directorate through the Director of Agriculture the Controller of the Currency and the Registrar of Co-operative Societies, Delhi.

Other measures for long term credit.

2922. 37. i. *Takavi* may be advanced through co-operative societies to meet pressing demand for long term loans. This is an immediate requirement. Crops have failed and agriculturists are crying for help.

ii The Central Co-operative Bank, Delhi, may be allowed to advance long period loans on the mortgage of land.

E.—INDUSTRIES SUBSIDIARY TO AGRICULTURE.

2923. 38. The farmer supplements his income with the proceeds of small industry, such as dairy-farming, vegetable and fruit gardening, rope making, poultry, pottery, ginning and spinning, manufacture of *gur*, *shakar* and sugar.

2924. Subsidiary industries of Delhi suffer from lack of adequate transport facilities and lack of capital, organisation and enterprise. Co-operative credit, on the basis of limited liability with share capital, is recommended to finance subsidiary industry.

2925. 39. *Scope for improvement.* Subsidiary industries can be developed under co-operative organisation. Co-operative motor transport would lower freight charges and reduce the cost of production. Supply of cheap and simple machinery, cold storage of fruits, milk and vegetables and employment of experts for dairy, *gur* and sugar refining, fruit and vegetable-gardening as well as poultry would add to the income of agriculturists. Use of gas and cheap electric power can be recommended for spinning and ginning, rope-making, oil-crushing and dairy-farming industries.

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Market for subsidiary industry.

2926. **40.** Delhi is the biggest distributing centre in Northern India, with a population of over 4,88,188. It is ever growing in wealth and numbers. It provides a progressing market for the product of subsidiary industries.

2927. *New enterprises.*—The Indian farmer is unemployed for two to four months in the year, and if rains fail there is general unemployment in rural India. There is surplus labour in villages that does not like to leave the place of its birth. The surplus labour can be profitably employed in new enterprises. The following enterprises are worthy of consideration :—

- (i) Co-operative building of village roads and houses.
- (ii) Basket work.
- (iii) Preparation of mango-jam and *chutny*, blankets and *namdas*, choir-matting and brushes and laces for boots and shoes.
- (iv) Cultivation of Egyptian cotton and Egyptian tobacco and manufacture of *biris*, cigarettes and cigars.
- (v) Manufacture of condensed milk, and hair oils and oil refining.
- (vi) Manufacture of soap, disinfectants and fertilizers.
- (vii) Preservation of farmyard manure, and conversion of night-soil into useful manure by a cheap process.
- (viii) Conversion of crop trash leaves and grasses into silage used for feeding cattle.

2928. Co-operative societies may be advised to make an humble start with one of these industries. None of them requires costly machinery therefore it should not be difficult to finance them out of the funds of co-operative societies.

2929. **41.** Co-operative societies of the province are doing real banking business by accepting deposits and advancing loans for short periods.

2930. **42.** The Co-operative Central Bank, Delhi, gets a loan from the Imperial Bank to the extent of Rs. 40,000 per annum. Credit societies borrow from the Central Bank. At present there is no co-ordination between the Central Bank, joint stock banks and the money-lender.

2931. **43.** Co-operative societies do not advance long term credit. This defect can be remedied by the establishment of a mortgage bank.

2932. **44.** In the province of Delhi, co-operative societies have made heroic efforts to relieve distress, by an efficient system of propaganda, organisation and control. They have admirably succeeded in creating a co-operative spirit in rural Delhi, and we have every reason to believe that given a fair opportunity, co-operation will extend to city artisans and workmen. It will bind them, once again by the common ties of service and brotherhood in the pursuit of a noble aim, the precious heritage of Economic Swaraj. The movement has gathered strength and achieved success in a limited sphere. It enjoys certain facilities that are denied to other provinces of India. The Province is small, and has better transport facilities than the rest of India. Deeply steeped in the spirit of co-operation, its organizers have never lost the opportunity of creating a happier world, by transforming the misery and agony of poverty into the blossoms of self-sufficiency, with the magic wand of co-operation. It will be a great misfortune indeed, if for lack of imagination their activities were confined to short credit

only, while the lion of indebtedness roams along, free and unfettered, spreading devastation throughout this Imperial Province. Shall we say to the co-operator "this is thy share, that much and no more" or shall we go ahead, shifting the burden of indebtedness on to his shoulders and ask him to bear it all ultimately, so that his country-men may be freed from the devil of distress, poverty, and serfdom. Co-operation is a powerful engine. It is both the sovereign and the servant. It is a power Divine—The Shiva of Economic Mythology. Then leave we our burden to "Shiva" our Lord, the "Co-operator".

2933. **31.** Co-operative credit should be extended to urban areas to finance small merchants, artisans, hawkers, labourers, low-paid clerks and local transport. A few societies have been recently started among *tongawalus*, *thelawalus*, teachers and Government clerks. Since the closing of the Tata Industrial Bank, Delhi, nobody has gathered sufficient courage to start another Industrial Bank with that mentality in the air. It is idle to expect any adventure in that direction in the near future. It is easier to get dominion status by threat or persuasion than to force the establishment of Industrial Banks when knowledge and will are both lacking.

J.—INVESTMENT HABIT.

2934. **84.** Cheque habit is growing fast among business men in Delhi. Salary above Rs. 200 may be paid in cheque. Such people generally keep bank accounts. For salary below Rs. 200 cheque should be optional. Cheques in vernacular script would be very popular among business men. But the Imperial Bank authorities should be asked to maintain quick service both in deposits and withdrawals if resentment and disgust are to be avoided.

2935. **85.** Banking habit is of slow growth for the following reasons:

- (i) Low income of tenants and farm labourers who get just a bare subsistence and form $\frac{3}{4}$ of the total population.
- (ii) Low wage of industrial labour that leaves no surplus for investment.
- (iii) High cost of living in cities, that absorbs the entire income of middle class families.
- (iv) Lack of banking facilities and dilatory tactics of bankers.
- (v) Traditional hoarding, social and religious customs sanctify wasteful ceremonial expenditure on marriage, funeral and festivals.

Improvements.—Co-operative credit should be extended to all villages Government and Municipalities can issue bonds of small value like cash certificates, printed in vernacular script, to encourage investment habit. Insurance is another method to encourage investment. But these measures would not increase the income to an appreciable extent. The problem is bigger than it seems. It requires the best brains of the nation to solve the problem of poverty, illiteracy and religious fanaticism.

2936. **88.** Insurance is the best method to collect capital from people for whom interest has no inducement for saving and investment by a careful organisation of insurance and the so called co-operative insurance, a large amount of capital would be available for industrial development. Co-operative societies have the very best facilities to encourage insurance among their own members.

Prof. Hirda Narain.

Reply to the special Questionnaire for the Central Co-operative Banks.

The Honorary Secretary, The Delhi Province Central Co-operative Bank, Limited.

3054. 1. (a) The Central Banks grant loans to co-operative societies for short terms only, and period extending to three years is considered as short period. The loans are granted to rural credit societies on demand pronotes and no instalment is fixed for repayment when we make these advances.

In their meeting the society passes a resolution that the amount of loan will be paid back within one, two or three years. This does not arise.

(b) No distribution between long and short term loan is observed. The loans are payable on demand hence the details cannot be supplied.

(c) In the months of March and October the societies fix a *kist* which they propose to pay to the Central Bank, this they fix on the basis of the standing crops. If the crops are good they fix decent amounts of *kist* and if the crops are a failure or poor, then, either they do not fix any *kist* or fix a nominal amount.

The following figures will show the actual repayments made by the societies against the *kist* fixed by the societies in the last three crops.

Year.	Demand.	Recoveries.	Overdue.
Rabi 1928 . .	2,31,776	1,71,257	60,519
Kharif 1928 . .	37,100	24,287	12,813
Rabi 1929 . .	69,639	55,821	13,818

3055. 2. The Central Banks are not authorised by the Registrar to be in the know of the purpose for which the loan is taken by the society. And they are forbidden to enquire from the society the information on the subject, hence the information cannot be supplied.

3056. 3. The following details will show the repayments made in the last two years.

Year.	Demand.	Recoveries.	Overdue.
Rabi 1928 . .	2,31,776	1,71,257	60,519
Kharif 1928 . .	37,100	24,287	12,813
Rabi 1929 . .	69,639	55,821	13,818

3057. 4. A list of urban societies is enclosed.*

3058. 5. 27 societies have been liquidated in the last 5 years.

3059. 6. The Central Bank had to write off Rs. 3,472-6-4 on account of urban societies. Out of Rs. 9,76,200 advanced to societies Rs. 50,590 are due from non-agricultural societies.

3060. 7. As the Central Banks close their yearly accounts on 31st August, every year, we give below the details of working capital as it stood on 31st August 1929.

				Rs.
Paid up Capital .. .. .	..	..	..	82,550
Deposits .. .. .	..	..	..	12,54,800
Other borrowings .. .. .	..	..	..	Nil.
Reserve Fund .. .. .	..	..	..	24,500*
Other Funds .. .. .	..	..	..	20,000
Undistributed Profits .. .. .	..	..	..	18,025
Miscellaneous .. .. .	..	..	..	11,500
Total .. .. .	..	..	..	14,01,325

3061. 8. (a) By Primary societies—

				Rs.	A.	P.
(i) Current account .. .. .	..	..	..	1,047	3	0
Saving Bank .. .. .	..	..	..	162	15	0
Reserve Funds of P. S. .. .. .	..	..	..	50	15	9
(ii) On Fixed Deposits .. .. .	..	..	..	5,000	0	0
(b) By individuals—						
(i) Current account .. .. .	..	..	..	1,141	4	0
Savings Bank .. .. .	..	..	..	6,792	9	8
(ii) On Fixed Periods—						
One year .. .. .	..	..	..	22,100		
Two years .. .. .	..	..	..	22,835		
Three years .. .. .	..	..	..	..
Four years .. .. .	..	..	..	13,000		

There are no restrictions.

3062. 9. The question does not arise.

3063. 10. The liquid resources were as follows on the 31st August 1929.

	Rs.
Three and half per cent. G. P. Notes of the value of Rs. 2,23,000.	Book value.
Four and half per cent. G. P. Notes of the face value of Rs. 75,000	2,31,000
Fixed Deposit at four and half per cent. with the Punjab Provincial Co-operative Bank, Limited, Lahore	20,000
Fixed Deposit at five and half per cent. with the Punjab Provincial Co-operative Bank, Limited, Lahore	30,000
Cash in hand and in current accounts	68,100
Total	3,49,900

*NOTE :—The correct figure is 14,500—vide paragraph 2387.

The Honorary Secretary, Delhi Province,

Central Co-operative Bank, Ltd.

The proportion of fluid resources to the total assets is 25 to 100.

No emergency occurred.

3064. 11. The following rates of interest are allowed by Central Banks.

(a) Current account . No interest except to Municipal Committee Delhi at 2 per cent, on minimum monthly balance.

(b) Savings Bank . Four per cent, on minimum monthly balance on multiples of Rs. 5 between the 5th and the close of the month on balance up to Rs. 10,000.

(c) Fixed Deposits—

	Months.
Four per cent.	3
Four and half per cent.	6
Five per cent.	12
Five and half per cent.	24
Six and half per cent.	36

There are no other borrowings, but when we need funds we temporarily overdraw our account with the Imperial Bank and the interest charged by them is at the bank rate in force on those days. The Provincial Bank is also prepared to advance us at $6\frac{1}{2}$ per cent. but we have not availed ourselves of this arrangement.

3065. 12. The Central Bank has more money on deposit than it can profitably employ. The position has been met by reducing the rate on deposits. When we require funds the position has been met by accepting short term deposits (for 6 months) at 6 per cent.

The reduction of rate of interest naturally causes withdrawals. As there is no uniformity in the rate on deposits among central banks. Some portion of deposit goes to other central banks as they offer higher rates than we.

3066. 13. The bank lends at 9 per cent. to all the societies. There are no special rates for any society.

3067. 14. The primary societies lend at $12\frac{1}{2}$ per cent.

3068. 15. No.

3069. 16. Section 19 of the Act does not give any special power to societies for realising their claims against members. The *mahajans* and co-operative societies sail in the same boat.

3070. 17. In the majority of cases :—

(i) The members call at the bank to receive consideration money of the promotes. In the year 1928-29 amount of loans aggregating Rs. 28,200 was remitted by Money Orders.

(ii) By remittance transfer receipts.

The Central Bank pays interest on deposits by cash, by cheques or by crediting it to the depositors' accounts with the bank. The dividend is paid to individuals by cash or cheques and to societies by crediting it to their loan accounts.

3071. 18. 9 per cent.

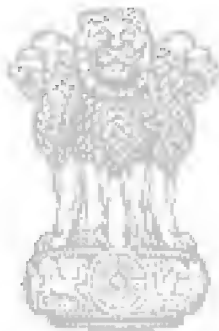
3072. 19. It does not engage in any other activity.

3073. 20. The Delhi Province Central Co-operative Bank Ltd., was started in 1921. The number of societies affiliated on the 31st August 1929 was 422.

3074. 21. Out of the twelve directors 5 are professional gentlemen of the town, 4 are representatives of societies and three are from rural areas. The representatives of rural societies have some influence on the general policy but mainly the Co-operative Department guides it.

3075. 22. Special features are:—

- (1) It does not do speculation business.
- (2) Dividend restricted to 9 per cent.
- (3) Government supervision.
- (4) It only finances to agriculture and industry.



सत्यमेव जयते

The Honorary Secretary, Delhi Province,

Central Co-operative Bank, Ltd.

**Summary of replies from Postmasters of Head and Sub-Offices
in the Delhi Province, to the Special Questionnaire for Postal
Officials.**

3076. 2. What classes of people keep their savings in Post Office Savings Bank and what roughly is the proportion of the deposits of each of these classes to the total?

The replies are as follow:—New Delhi; Government servants. Delhi Chandni Chowk; about three-fourths of the deposits are of middle class people, i.e., those in Government or private service or in the service of Local Bodies; and the remaining one-fourth, of lower and higher class people. Delhi Daryaganj; about two-thirds, teachers and students of schools. Delhi Cantonment; Officers of regiments, and soldiers about 50 per cent.; clerks about 25 per cent. and the rest, general public including shopkeepers. Delhi Fort; military employees about 90 per cent. Kashmere Gate, Delhi; Government servants about 30 per cent. and school boys about 40 per cent. Mahrauli; Mahajans about two-thirds and Government servants about one-third. Najafgarh; Managers of the Jain Temple Fund, about 50 per cent. Sabzi Mandi Delhi; about two-thirds, Government servants, and fruit sellers amongst the rest. Shahdara; educated people especially Government and private employees three-fourths, and the rest shopkeepers, etc.

3077. 3. Are the advantages of Savings Bank business sufficiently known to the public in your area? How do the facilities offered by your branch compare with those offered by branches of the Imperial Bank or of the Indian joint-stock banks, if any exist in your locality? What further facilities would you suggest to make this class of business more popular?

According to the Postmaster of Najafgarh the advantages of the Savings Bank are not sufficiently known to the public, while at Shahdara they are known only to the educated people. The rest of the Postmasters say that the advantages are sufficiently known.

The Postmasters of the following offices say that that the facilities offered by the Post Office Savings Bank are greater than those offered by the Imperial Bank of India or the Indian joint stock banks:—Delhi Chandni Chowk, Daryaganj and Katra Barian, because the transactions in the Post Office cause less delay than in banks; and Paharganj because small sums can be deposited.

Enhancement in the rate of interest, removal of the present limit of deposits that can be made in a year, viz., Rs. 750, and of the restriction as regards withdrawals which are not allowed oftner than once a week, payment of interest in the case of withdrawals made after the 25th of a month and withdrawals by cheques, are the suggestions made for increasing the popularity of Post Office Savings Banks.

3078. 4. How do persons other than depositors invest their occasional or permanent savings in your locality? Do you think that if your branch opens current accounts bearing no interest withdrawable by cheque, it will attract any substantial deposits from the various classes of people in the area in which your branch is located?

According to the Postmasters, Delhi and New Delhi people also invest in Government and other securities and in banks; Najafgarh, with private bankers or firms.

As regards the opening of current accounts bearing no interest or a nominal rate of interest withdrawal by cheque, the majority say, that it will attract more deposits.

3079. 5. Have you experienced any difficulty in meeting the demand for withdrawals from the cash ordinarily kept in your branch?

None of the offices feel any such difficulty; if the balance runs short, it is replenished from neighbouring post offices.

3080. 7. Do you usually have a surplus of remittances to your branch over remittances from your branch? Please mention the months of the year during which you usually have a surplus.

The town sub-offices remit their surplus to the head office every day. Shahdara has surplus every month. Others do not have surpluses.

3081. 8. What percentage of the people living in the locality in which your office is situated are familiar with cash certificates? What methods would you suggest to make the facilities offered by this system better known to them? Do the present rates of cash certificates require revision? How do these rates compare with returns on other kinds of safe investment, viz., in land, etc., or the net earning from money-lending? Are there any grounds for believing that the rates offered on postal cash certificates have a prejudicial effect on the deposits in branches of the Imperial Bank or of joint-stock banks in your locality?

In Delhi all people generally are familiar with Cash Certificates. In Shahdara only 5 per cent and elsewhere very few people know anything about these. Advertisement on a wide scale, distribution of pamphlets and lectures are the means suggested for making them popular.

As regards the revision in the rate of interest, the city offices suggest an increase. Shahdara office does not want any change.

The town offices generally consider that investment on land brings more profit than cash certificates but one of them says that it is risky.

Most Post offices say that cash certificates have had no prejudicial effects on deposits in banks.

3082. 9. Are there any special difficulties standing in the way of your office—

- (a) serving as a place of safe deposit for gold, silver, jewellery, documents, etc.;
- (b) opening of current accounts;
- (c) selling Government Securities;
- (d) undertaking encashment of notes into gold in small amounts at rates which do not involve loss to Government;
- (e) lending out surplus funds on the spot under suitable safeguards, and limitations to (1) licensed Mahajans, (2) agriculturists and (3) non-agriculturists.

What safeguards, security, restrictions and control would you suggest in each case?

The replies generally indicate that there will be no difficulties in introducing any of these facilities if proper arrangements are made and adequate staff provided. As regards granting loans to mahajans, etc., it has been suggested by one post office that loans should be made on the recommendation of the Deputy Commissioner on personal security.

Summary of replies to special questionnaire for postal officials.

APPENDIX I.

Appendices to Messrs. Bir Singh and Pitambar Singh's written memorandum.

I.

Statement showing debt on mortgage without possession and on the security of houses or ornaments in the case of members of co-operative credit societies of Delhi Province.

Serial No.	Name of circle.	House mortgaged.	Mortgaged without possession.	Mustajri.	Mortgages on <i>chahi</i> .	Ornament.	Verbal mortgages (<i>Zabani Rahani</i>).
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	Chiragh Delhi Circle.	2,250	30 1/4 bighas for Rs. 12,890.	..	..	32,010	22
2	Najafgarh Circle	500	8,387	..	..	1,000	330
3	Badi Circle	..	13,250	3,915	..	80	..
4	Shahdara Circle	..	1,800	..	..	754	..
5	Mahrauli Circle	..	3,380	2,000	..	5,162	..
6	Nangloi Circle	..	4,070	..	..	1,060	..
	Total	2,750	43,777	5,915	..	40,066	352

BIR SINGH,

Inspector, Co-operative Societies,
Delhi.

2.

Statement showing the net savings of the agriculturists of village Shahabad Daultpur, and the chief objects on which they are utilised.

Name of person.	Income.			Expenditure.				Net savings.	Objects on which they are used.						Remarks.
	Agricultural Produce.	Cattle.	Other Income.	Total.	Cultiva'on.	Cattle.	Other.	Total.	Marriage.	Houses.	Land.	Trunks.	Money-land-ing.	Wells.	Horses.
1. Sirdar Singh .	Rs. 550	Rs. 130	Rs. 320	Rs. 1,000	Rs. 350	Rs. 350	Rs. 400	Rs. 700	Rs. 300	Rs. 300	Rs. 400	Rs. 1,000	Rs. 500	Rs. 200	Rs. 150
2. Liaq Ram .	2,000	300	400	2,700	500	350	800	1,200	1,500	800	700	1,000	500	200	150
3. Mansa of Badli .	1,500	400	200	2,100	450	350	800	1,100	1,000	700	400	800	800	150	150
4. Sabju .	1,000	350	150	1,500	300	150	200	650	850	500	500	800	800	150	150
5. Mohan Lal of Gasi Ram.	1,700	300	200	2,200	300	250	350	900	1,300	500	400	800	800	150	150
6. Mansa of Nihal .	800	100	250	1,150	300	150	300	750	400	600	400	800	800	150	150
7. Sher Singh .	700	250	150	1,100	200	150	150	500	600	500	400	800	800	150	150
8. Mapa Singh .	1,100	300	200	1,600	200	200	300	700	900	400	400	800	800	150	150
9. Daya Ram .	600	400	100	1,100	300	300	100	700	400	400	400	800	800	150	150
10. Lakhtar .	900	450	300	1,650	200	300	400	900	750	500	400	800	800	150	150
11. Maru .	500	200	200	900	100	200	100	500	400	450	400	800	800	150	150
12. Shao Ram .	1,000	300	350	1,650	300	200	200	700	950	450	500	800	800	150	150
13. Pateh Singh .	1,500	300	200	2,000	300	300	200	800	1,200	800	500	800	800	150	150
Total .	12,850	3,780	3,020	20,650	3,900	3,200	3,000	10,100	10,350	4,750	2,300	1,000	1,700	350	150

BIR SINGH,
Inspector, Co-operative Societies,
Delhi.

3.
Budget of a family containing five members.

Serial number.	Name of circle.	Food.	Clothes.	Rent of houses.	Whisky and Tobacco.	Medicine.	Education.	Ornaments.	Amusements.	Marriage and other ceremonies.	On agriculture.	Expenses of cattle.	Light.	Sweepers.	Total.	Remarks.
1	Chiragh Delhi .	Rs. 380	Rs. 60	Rs. .	Rs. 12	Rs. 10	Rs. 60	Rs. 50	Rs. 5	Rs. 100	Rs. 300	Rs. .	Rs. .	Rs. .	Rs. 957	
2	Shahadra .	338	90	. .	8	12	. .	. .	5	50	50	. .	. .	. .	543	
3	Bailli .	300	100	25	25	50	50	50	25	50	250	100	20	. .	1,045	
4	Majafgarh .	280	90	36	15	50	200	200	5	200	250	. .	. .	. .	1,326	
5	Mehrauli .	306	78	. .	6	30	10	30	. .	150	6	. .	. .	. .	616	
6	Nangloi .	200	200	25	12	12	40	20	. .	15	916	. .	. .	12	1,452	
	Total .	1,784	618	86	78	154	360	350	40	565	1,772	100	20	12	5,939	

BIR SINGH,
Inspector, Co-operative Societies,
Delhi.

4.

Statement showing the number of land proprietors above 500 *bighas*, and agriculturists money-lenders, etc., in Delhi Province.

Serial No.	Name of circle.	Land-holders possessing more than 500 <i>bighas</i> .	Agriculturists money-lenders in the circle.	Money-lenders who depend wholly and solely on money-lending.	Other money-lenders.	How many of Cols. 3 & 4 stopped their dealings after 1920.	Remarks.
		1	2	3	4	5	
1	Chiragh Delhi Circle	9	1	18	35	...	
2	Shahadra Circle	8	4	...	...	...
3	Badli Circle	22	20	10	41	25	
4	Najafgarh Circle	21	42	...	60	20	
5	Mehrauli Circle	2	3	...	...	...
6	Nangloi Circle	3	14	...	6	6	
	Total	65	84	28	142	51	

BIR SINGH,
Inspector, Co-operative Societies,
Delhi.

5

Statement showing the amount of Capital required for agriculture in 6 representative villages.

Serial No.	Name of village.	How much money is actually required for agriculture.				Total.	How much money is required for the whole village.	How much silver and gold was brought in after 1913.
		Land Improvement.	Land Revenue.	Other requirements.	Wells and Ballocks.			
1	Khikda . . .	Rs. ...	Rs. 2,000	Rs. 10,000	Rs. 3,000	Rs. 15,000	Rs. 25,000	Rs. 5,000
2	Ghadada . . .	360	750	3,000	1,500	5,610	10,000	...
3	Shandipur . . .	2,000	1,710	1,500	15,000	20,210	40,000	16,000
4	Chhawla . . .	600	2,400	2,000	15,000	20,000	1,00,000	7,000
5	Ghetarni . . .	2,000	...	30,000	3,000	35,000	50,000	2,000
6	Bakkarwala . . .	...	330	200	2,000	2,530	86,000	6,800
	Total .	4,960	7,190	46,700	39,500	98,350	3,11,000	36,800

BIR SINGH,
Inspector, Co-operative Societies,
Delhi.

APPENDIX II.

(Received through the Chief Commissioner, Delhi.)

LETTER FROM THE DEPUTY COMMISSIONER, DELHI, TO THE CHIEF COMMISSIONER, DELHI, No. 343/C., DATED THE 17TH MARCH 1930.

I have the honour to forward herewith a copy of a letter No. 586-S, dated the 4th March 1930, from the Registrar, Co-operative Societies, Punjab, Lahore, together with a copy of its enclosure. I am in general agreement with the essential theory regarding co-operative credit which Registrar advances in his letter and on which he lays stress in his answers to the questionnaire; whether the Co-operative Department has attached sufficient importance to it in Delhi Province in the past is a matter regarding which I feel some doubt.

LETTER FROM THE REGISTRAR, CO-OPERATIVE SOCIETIES, PUNJAB, LAHORE, TO THE DEPUTY COMMISSIONER, DELHI, No. 586-S., DATED THE 4TH MARCH 1930.

I have the honour to submit a few remarks in connection with the questionnaire of the Central Areas Banking Enquiry Committee.

For details of Co-operative Societies of various kinds in Delhi Province and Ajmer, the Committee can ask Lala Bal Kishen, one of members, who was for some years Registrar, Co-operative Societies, in Ajmer, and for the last 3 years has been Assistant Registrar in charge of Delhi Province. He also can inform the Committee on all matters concerning principles and practice of Co-operation.

Apart from this, it seems to me that the Committee is thinking so much about the provision of credit, or, as the average borrower looks at it, the provision of opportunities for taking a loan, that the at least equally important matter of the recovery of loans given has hardly been mentioned. I am daily becoming more and more convinced that the essential things in all credit operations are the character of the borrower and the judicious limitation of the amount of loan given. Now-a-days, the tendency, in my opinion, is fundamentally wrong to regard access to credit as a right and not, as in my opinion it should be, as a privilege to be deserved. Most of my remarks concerning specific questions will be based on the above idea.

Q. 14.—It is not understood what is meant by co-ordination. A borrower should borrow from one institution only. Otherwise he is, in most cases, practising deceit. If the meaning is that the existing credit agencies should each confine itself to a particular sort of credit then the result will be the elimination of all competition and, possibly, exploiting of the borrower. I think it is probably to the advantage of the borrower, and not altogether to the disadvantage of the creditor, that institutions dealing in credit should have competition to face.

Q. 23.—I judge from experience (gained in the Punjab that is to say) that the possibilities and probabilities of producers combining to transport
Registrar, Co-operative Societies, Punjab.

and market their produce co-operatively are practically nil. They are not ready to do so even when most of the work is done for them.

Q. 30.—I am not aware that any attempt has yet been made in Delhi to raise money on debenture bonds for mortgage banks. Till such an attempt has been made, it will be impossible to express an opinion on this question.

Q. 31.—There is no co-operative land mortgage bank in Delhi.

Q. 32.—The Committee would appear to have very little idea of the great difficulties which beset a mortgage bank. I think the Committee will probably derive much benefit from reading the evidence given before the Royal Commission on Agriculture by Mr. Dawson of Dawson's Bank in Burma. He, too, lays the greatest emphasis on the character of the borrower. From my small experience of co-operative mortgage banks in the Punjab, I endorse his opinion; and I can inform the Committee that the running of a mortgage bank is by no means an easy matter, even when it is financed by Government loan.

There are many ways of conducting a mortgage bank. Such a bank may be co-operative, joint stock, or quasi-Government. I refer the Committee to the experience of the Punjab and Madras for the first kind; to Dawson's bank in Burma and to France, for the second kind; and to Germany, Denmark and Sweden, for the third kind. But of whatever kind the bank may be, it cannot succeed if the borrowers are wrong; and any kind can succeed if the borrowers are right. I do not think it possible, at present to say that any particular kind is better for India than another as none has been yet tried on a large or fully successful scale. Any opinion would be largely academic and without foundation.

If Government gives any kind of guarantee, it is probably best that it should guarantee the interest on debentures for a period of years.

I see no reason why Government should take up any debentures if the public do not; except that it might take up some as a bait to the public, before the issue is opened to the public. It would not be fair to ask Government to put its money into a concern with which the public has been seen to be unwilling to have anything to do.

I have recommended to the Punjab Provincial Banking Enquiry Committee that at present debentures of mortgage banks should not be a trustee security. The reasons are that the banks are still largely experimental, and, often, it has been seen that the borrowers are not of the right sort.

Further, experience seems to point to the fact that where harvests are not secure, a mortgage bank should not be started. For, where harvests are not secure, punctuality in payment is impossible to secure and punctuality in repayment is of the essence of a mortgage bank.

Q. 33.—This question appears to be superfluous, if, as I imagine, "terms" means rate of interest. If this is so, everything depends upon the market rate of money, the character of a bank's dealings, and the efficiency and cost of its management.

Q. 34.—In the Punjab, the land revenue is taken as the basis of the amount that a mortgage bank may lend.

Q. 35 and 36.—A mortgage bank should be empowered to enter into possession of and sell, the land of defaulters, without the intervention of a court.

A mortgage bank is impossible in any area in which there is not a very complete and accurate record of rights in land.

I do not see why the costs of reference to the record of rights, etc., should be cheapened. The expense is by no means great even now; and is a very small percentage indeed on the amount of loan. There is no reason why a borrower should not pay a fair price for any services rendered to him. A mortgage bank and Government are not charitable institutions.

Q. 41.—This depends entirely on the quality of the society, i.e., on the quality of its members, and on the trust that it can inspire in the people of its neighbourhood. Reference to the annual reports of co-operative societies in Delhi and the Punjab will show the amount of deposits held by them.

Q. 42.—Co-operative banks and societies at present have no relations with any other banks except the Imperial Bank. At present these relations are, in Delhi, confined to the Delhi Central Co-operative Bank, and consist of Government paper deposited.

Q. 43.—Generally speaking, a co-operative society never goes bad if the members are good men.

Q. 44.—Hitherto, as far as my knowledge goes, no difficulty has been experienced by the Central Bank in providing the permissible amount of finance to the primary societies in Delhi Province. The primary credit society is not intended to provide long-term loans.

I suggest that the second part of the question should be inverted, and that it would be more correct to ask "to what extent has the agriculturist chosen to take advantage of the existence of the Co-operative Movement in Delhi?"

It is a common complaint that co-operative credit societies do not provide enough money for the members to borrow. The control of credit, and the keeping of borrowings within an amount that the borrower is able to repay within a reasonable time out of this income, is the essence of co-operative primary credit society. A scale of credit limits has been laid down which is intended to attain this object. In times of prolonged scarcity a special revision of credit limits can be and sometimes is made.

Q. 45.—It has already been said that hitherto the Central Bank has generally found no difficulty in providing the permissible amount of credit to its affiliated societies. If the meaning of the question is "how much extra capital is required to satisfy the demands of agriculturists for loans" then the question can best be answered by putting another question. "How much water can be poured into a pipe, open at both ends, and held upright?"

Q. 46.—There is no conscious competition between co-operative and other banks. It is true that many of the deposits received by co-operative banks would, but for them have been received by other banks; but co-operative banks, generally speaking, do not definitely compete with them.

Q. 47.—On principle, it is very much better that co-operative societies should stand on their own legs than they should for ever be looking to Government for concessions. Their attitude at present is far too much one of expecting everything to be done for them. A co-operative movement can never be fully healthy that does not do its best to carry on without extra

Registrar, Co-operative Societies, Punjab.

help. The present concessions are generous and are very much appreciated. The inclusion of securities issued by co-operative banks in the list of trustee security must be earned and not given before their worthiness has been established.

Q. 50.—This question, like second part of Q. 44, should be inverted. I have noticed in the Punjab, that the small trader appears not to like real co-operative credit. He likes to use a large loan as fixed capital, and never to repay it; whereas the true object of short-term credit is to supply a temporary need, and to be repaid out of the proceeds of the fulfilment of that need. One of the objects of a credit society for small traders is to enable them to build up some sort of reserve out of profits and savings. This, however, is never seen. Too often, the result of a credit society for such people is that they attempt at once to expand their business faster than they have ever done before with the consequence that as soon as there is the slightest depression in trade, the immediate result is an increase of their indebtedness, as they have nothing whatever to fall back upon, except a bottomless (at least so considered by them) well of loans provided by their society; and repayment becomes less than a secondary consideration. These classes have yet to distinguish between financial needs and financial desires.

Q. 51.—It is too early to talk of requiring the co-operative movement to be extended, while even those who have begun to be able to reap some real benefit from it do not choose to do so. One must learn to walk before he can run.

Q. 59.—On principle, if Government desires money, why should it not do its best to attract it? Why should Government always be considered as an inert mass to which things may be done, while it may never do anything itself? If money cannot be secured except on attractive rates, why should not attractive rates be offered? After all, Government from one point of view, is only the biggest financial business in the country.

Q. 95.— * * * * * It would be possible to open co-operative societies in every village in the province within a month, but none of these would be good. A place that is not suitable today for a co-operative society can by continued preaching and teaching be rendered suitable for the opening of such a society after a period of time. No place is suitable until it has received and absorbed the requisite teaching. Some places never become suitable.

APPENDIX III.

NOTES OF ENQUIRY IN THE VILLAGE OF SAHIBABAD DAULATPUR
IN TEHSIL DELHI.

PRESENT :

Prof. H. L. CHABLANI, M.A.

L. BAL KISHAN.

The Deputy Registrar S. Beant Singh, B.A., P.C.S., and the Inspector of Co-operative Societies, Delhi, Mian Bir Singh, B.A., also assisted in the enquiry. A general meeting of the Co-operative Society of the village had been convened by the Deputy Registrar for the purpose of his inspection, and the occasion was utilised to conduct an enquiry at the village.

Out of 150 families resident in the village, 38 families had joined the Co-operative Society. On being questioned, the members present said that the Society included a few members who did not require any loan or who were in a position to borrow from the *mahajans* at a rate of only 12 per cent. per mensem, but who had joined the Society because of the other advantages that it offered.

Thirty-eight families in the Co-operative Society owned 2,466 *bighas* of land—4½ *bighas* being equal to one acre. The average acreage per family thus worked out at 64.9 *bighas* or about 1½ acres of land.

Net return on mortgages with possession.

One of the members of the Co-operative Society who had taken land on mortgage with possession, said that he had advanced Rs. 12,000 for 200 *bighas* of *barani* land, the price of which approximated to Rs. 100 per *bigha*. It was said by the members present that most of the persons taking land on mortgage cultivated the land themselves, but if they did not they would get only Rs. 3 per *bigha* as *lagan* from their tenant out of which they will have to pay back about 8 annas per *bigha* towards land revenue, cesses, etc., Rs. 2-8-0 would thus be the net income on Rs. 60 advanced on mortgage with possession which works out at 4½ per cent. per annum. According to the members present, quite a large number of persons borrow money at 12 per cent. on mortgage of land which yields only this low net return.

Net return from investment in Land.

The members of the Co-operative Society were consulted as to the cost of cultivating 100 *bighas* of land, which in their opinion could easily be cultivated by means of one plough by a normal family consisting of husband, wife and 3 children with the assistance of only one servant. After discussion, they gave the following details of the expenses necessary for cultivating 100 *bighas* of land:—

	Rs.	A.	P.
1. Seed (Rs. 40 for <i>Rabi</i> at Rs. 35 for <i>Kharif</i>)	75	0	0
2. Manure on an average annually	6	0	0
3. Fodder at the rate of Rs. 1-4-0 per diem	456	0	0
4. Allowance for depreciating of power of bullocks (3 to 8 years on an average)	10	0	0

Enquiry in Sahibabad Daulatpur.

Rs. A. P.

Rs.

5. Weeding and Harvesting :—

Weeding of sugar-cane, 60 days' work of one man	30		
Weeding of cotton, 30 days' work	15		
Weeding of <i>bajra</i> , 30 days' work	10		
Harvesting of wheat (40 <i>bighas</i>)	50		
Harvesting of <i>bajra</i> and <i>jau</i> (40 <i>bighas</i>)	15		
Harvesting of cotton	20		
	<hr/>	140	0 0

6. Annual cost on account of plough 4 0 0

7. (a) Charges for hire of crushing machine for sugar-cane and labour necessary for it (hire of machine Rs. 10 and labour of one man for two months Rs. 30) 40 0 0

(b) Other cost of *gur* making (2½ maunds of *gur*) 12 8 08. Amount paid to *Kamins* :—

294 seers of grain at 10 seers a rupee	}	78 8 0
8 seers of <i>gur</i> at 8 seers a rupee		
5 maunds of fodder, at 0-12-0 a maund		

9. Land Revenue and Cesses :—

Land Revenue at local rate	72		
Water rate	80		
Chowkidari, etc.	1		
		153	0 0

10. Wages of one servant at Rs. 1-8-0 a day for 2/3rd of the year 120 0 0

Total	<hr/>	1,125	0 0
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The income from purchase of 100 *bighas* of land was estimated as follows:—

	Rs.
(A) { Price of 120 maunds of wheat (grown on 40 <i>bighas</i>)	480
{ Price of 12 maunds of <i>chara</i> at 0-12-0 a maund	84
(B) { 10 maunds of <i>bajra</i> (grown on 40 <i>bighas</i>)	30
{ Fodder from <i>bajra</i>	12
(C) 20 maunds of <i>jawar</i> and <i>chara</i>	140
(D) <i>gur</i> (40 maunds from 10 <i>bighas</i>)	200
(E) Cotton (20 maunds from 10 <i>bighas</i>)	180
(F) Miscellaneous fodder crops	40
Total	1,166

There would thus be a net income of Rs. 35 per 100 *bighas*. The *jats* do not sell any milk, but they do realise something from the sale of cattle which was estimated by the members present at about Rs. 100 a year.

If the owner of 100 *bighas* of land sold off his land and equipment, he would realise about Rs. 11,500 from the sale of his land and save about Rs. 500 of the necessary running capital for carrying on cultivation. Rs. 12,000 invested at 6 per cent. would bring him an income of Rs. 720 while the wages of himself and wife working on the field estimated at the rate of 8 annas per male and 4 annas for female will bring him an income of Rs. 270. An owner cultivating 100 *bighas* of land would thus get an income of Rs. 990 as against an income of only Rs. 141 at present.

On being questioned, the villagers said that for the last 7 years they had only two good years, 3 average years and 2 very bad years.

Marketing.

Asked as to the proportion of the produce they kept for their own family consumption, they stated that generally about 1/4th of wheat, 1/2 of *bajra*, 1/10th of *gur* and 1/7th of cotton and the whole of fodder was kept by the cultivator for his domestic consumption.

There was no money-lender resident in the village. Four or five outside *mahajans*, one outside agriculturist money-lender and 2 resident agriculturist money-lenders carried on money-lending business in the village. The members present stated that in case they sold their produce to their creditor *sowkar*, he would get from them $\frac{3}{4}$ seer per rupee more than the prevailing rate in Delhi market, but in this case they will be saved the expenses and labour of taking the produce to the city of Delhi. Generally,

Enquiry in Sahibabad Daulatpur.

the rates in Delhi market and the village differ to the extent of $\frac{1}{2}$ seer per rupee. A number of outside dealers visit the village and buy produce on the spot at rates which are about $\frac{1}{2}$ seer per rupee more favourable to the purchaser than the Delhi rates. It is generally more profitable to a *zamindar* to sell his produce to these outside dealers who visit the village and buy the produce on the spot, as in this case the agriculturist has neither to take his produce to the city of Delhi nor to sell it to their *sowkar* creditors who give them about $\frac{1}{4}$ seer per rupee less. But in the case of good parties the *sowkar* creditors is often willing to make a concession of $\frac{1}{4}$ seer to $\frac{1}{2}$ seer per rupee in which case there was no reason for preferring the outside grain dealer at all.

Accuracy of entries in Form B.

The entries in Form B filled up by the *Palwaris* were compared with the entries in the books of the Co-operative Society and questions were put to the villagers in order to find out mistakes if any in either of them. In the case of Serial No. 24 (*vide* Form B) Form B showed no outside debt, while the Society's register showed an outside debt of Rs. 300 in addition to Rs. 200 borrowed from the Bank. Oral enquiries showed that he had also an outside debt of Rs. 500 borrowed on mortgage without any interest. Serial No. 34 (*vide* Form B) was shown in Form B to have a mortgage debt of only Rs. 1,867 in addition to Rs. 190 borrowed from the Bank, while the Co-operative Society's register showed a mortgage debt of Rs. 8,500. Enquiries on the subject from the villagers brought out the fact that he had a mortgage debt of Rs. 3,400. In the case of Serial No. 35 (*vide* Form B) the Co-operative Society register showed Rs. 400 as the amount borrowed from private creditors in addition to a mortgage debt of Rs. 1,300 and Rs. 595 borrowed from the Bank; while Form B showed only the Bank's loan of Rs. 595 and the mortgage debt of Rs. 1,300. Serial No. 36 (Form B) was shown to have borrowed only from the Co-operative Bank to the extent of Rs. 345 while the Co-operative Society's register showed in addition Rs. 250 borrowed from private creditors. On enquiry, the person himself said that he had borrowed Rs. 250 but lent Rs. 100 so that his net open debt was only Rs. 150. In the case of Serial No. 39 (Form B) Form B showed only Rs. 38 borrowed from the Co-operative Bank, but said nothing as to his open debt from private creditors which was shown in the Co-operative Society's register to be Rs. 100. Apart from the Co-operative Society's loan of Rs. 196 Form B showed nothing as open debt of Serial No. 45, while the Co-operative Society's register showed Rs. 1,600 and the person himself said that he owed only Rs. 1,000 to private creditors. Serial No. 55 was a *lambardar* of the village and was shown in Form B to have borrowed from Co-operative Bank Rs. 618 and from *zamindars* Rs. 3,000 on mortgage, while the Co-operative Banks register showed in addition to Rs. 300 as his open debt due to private creditors. In the case of Serial No. 56 Form B showed only the Co-operative Society's debt, while the Co-operative Society's register showed in addition Rs. 300 as his open debt due to private creditors. All other entries in Form B tallied with the entries in the Co-operative Society's register. It was generally found that the mortgage debt has been correctly put down in Form B; so also the amount borrowed from the Co-operative Societies, but there was a slight under-estimating of the open debt due to private creditors.

APPENDIX IV.

NOTES OF AN ENQUIRY HELD AT THE VILLAGE RAJPUR KHURD,
DELHI, ON THE 16TH JANUARY 1930.

Professor H. L. Chabiani visited Rajpur Khurd in connection with intensive survey and conducted the inquiry in the presence of the following persons:—

- | | |
|---------------------------------|-----------------|
| 1. Nathan Singh, Lambardar. | 10. Behari I. |
| 2. Sahi Ram, retired Subedar. | 11. Ramdial. |
| 3. Shao Singh, retired Subedar, | 12. Chiman. |
| 4. Shera. | 13. Kehri. |
| 5. Subai. | 14. Mahipat. |
| 6. Bucha. | 15. Mange. |
| 7. Ramjilal. | 16. Bhim Singh. |
| 8. Sis Ram. | 17. Behari II. |
| 9. Siri Ram. | |

Shera, whose family consists of four adult males, two women and three children stated as follows:—

We take three meals a day; 8 A.M. in the morning, 1 P.M. and again at night. We take three meals throughout the year. My daily expenses are as follows:—

	Rs.	A.	P.
9 seers of flour at 8 seers a rupee (approximate)	1	0	0
1 seer of pulse	0	4	0
Tobacco	0	1	0
Oil (both kerosine and linseed)	0	1	0
Spices	0	0	6
Gur, half a seer daily	0	1	3
Match box (4 in a month).			

1 7 9

Gur is used in greater quantity in winter than in summer. The linseed oil is used in the house and the kerosine oil in the cattle shed. I don't purchase milk, *ghee* or fuel from the bazaar; these I get from home. I consume 6 chhattaks of *ghee* daily.

My annual clothing charges are as follows:—

	Rs. A. P.
7 pairs of <i>dhotis</i> for male adults and children (big pairs 4 at Rs. 3 each ; small pairs 3 at Rs. 1-8-0 each)	16 8 0
4 coats for adults and 3 coats for children for two years. (4 adult coats at Rs. 6 each = Rs. 24 and 3 children's coats at Rs. 3 each = Rs. 9)	16 8 0
3 shirts for each of the 4 adults and 2 children (adult shirt at Re. 1 and child's shirt at Re. 0-12-0 each) .	16 8 0
4 <i>puggis</i> for adults measuring 10 yards at Rs. 4 each .	16 0 0
2 pairs of shoes each for the adults at Rs. 2 each	16 0 0
1 <i>lehnga</i> , 1 sheet and 1 <i>angiya</i> for each of the two women at Rs. 22-8-0 each	45 0 0
Sheets for all of the family members	30 0 0
Total	156 8 0

I have not included in this estimate the cost of coverlets or bedding.

(NOTE :—The villagers present were of opinion that in this village of 32 families only about 5 are worse than this family in point of income and expenditure).

Sahi Ram retired Subedar was questioned further and replied as follows:—

Q. 4.—In this village the bigger agriculturists are getting the lands of the small agriculturists by means of mortgages with possession, which enables them to have the land in their possession for 60 years. Before the expiry of that period, the land is redeemed from them and mortgaged to others. It is seldom that the land is finally sold to them in default of payment. These small agriculturists have not got scope for employment on the farms of others in this village. The farms are already too small here and such persons have to go to other villages for becoming tenants on land available there.

Q. 10.—In this village no debts are due to the *mahajans* or professional moneylenders. All the loans incurred are from agriculturist moneylenders, who do not keep any regular accounts, and the scale of their business does not warrant the keeping of any paid servant to keep regular accounts. Generally the agriculturist moneylenders are known for fair dealings in this village. The villagers are generally not in favour of the introduction of such a bill.

Q. 12.—For expenses during cultivation people borrow mostly from the co-operative society and the *zamindar* moneylenders. For cattle and permanent improvements money is obtained partly by means of *takani* loans and partly from their own personal capital. For other special needs on account of failure of crops or monsoon money is obtained from the co-operative society and from the *zamindars* moneylender. There is no landlord here owning more than 12 acres of land. The small cultivator or peasant proprietor owning 1 or 2 acres of land gets his credit mostly from

the *zamindar* moneylender and not from the co-operative society, as the co-operative society demands sureties and many people having very small holdings are not prepared to stand sureties for others. The loans are received mostly in cash from the *zamindar* moneylender, but at times when he has spare seed, plough or cattle and the borrower wants money for these purposes, he offers them to him.

The general rate of interest here is about Rs. 1-8-0 per cent. but the actual realisation is about Rs. 1-4-0 per cent. If some people have got money in this village, they lend it at this rate even when in the outside market money cannot be had at Rs. 2 per cent. per mensem, even on pawning of ornaments. Between the *sahukar* lending at Rs. 1-8-0 per cent. interest and the co-operative society lending at Re. 1 per cent. interest we would prefer the *sahukar zamindar*, because in the case of bank we will have to return the loan in cash which we may not have on the fixed date, while in the case of the *sahukar zamindar*, he would be prepared to accept from us bullock, seed, produce buffalo, etc. Apart from this, if any emergency arises, we can get a loan from the *zamindar sahukar* immediately or at a very short notice, while in the case of the bank several days' delay takes place. At times the *zamindar sahukar* is even induced to accept a bullock worth Rs. 60 in payment of Rs. 70 or Rs. 80. Apart from these reasons there is the further reason that the bank has got a summary process of getting a decree against us, while the *sahukar* has to file a suit, which gives us a longer time for adjustment. Between the three sources (a) the village agriculturist moneylender lending at $1\frac{1}{2}$ per cent. per mensem (b) co-operative bank lending at $1\frac{1}{16}$ per cent. per mensem and (c) the Government lending at $6\frac{1}{2}$ per cent. per annum, we decidedly prefer the first source, considering all the difficulties in recovering money from us in each case and the expenses incurred in getting loans from the two other sources.



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GLOSSARY.

Abiana	Water-rates.
Artia	Commission agent.
Asamj	Client.
Bahi	Account book.
Bahi Khata	Accounts.
Barani	Cultivable land depending on rain.
Batai	Payment of rent in kind by division of produce between the landlord and tenant.
Benami	Transaction in the name of a person other than the actual party.
Bhusa	Straw, fodder.
Biri	Indigenous cigarette.
Bohras	Commission agent (broker).
Bradri	Brotherhood.
Chahi	Irrigated from well-water.
Chaki	Hand-mill.
Dalal	A broker.
Dastavez	Document.
Dharmada	Deduction for charity.
Gaoshala	A cowshed run by public charity.
Ghagra	Skirts.
Gota	Gold or silver lace.
Gur	Molasses.
Haisiyat	Financial status.
Halvai	Confectioner.
Jat	Cultivators.
Kabaria	A dealer in second hand goods.
Kharif	Winter harvest.
Khazanchi	Cashier.
Lal kitab	Village book containing an account of its produce, mortgages, etc.
Mahajan	Money-lender.
Mali	Gardener.
Mandi	Market.
Mohalla	Street.
Nahri	Irrigated by canal water.
Pabari	Hilly.
Panchayat	Village council.
Pao	1/4th of a seer.
Parekhia	Retail provision dealer.
Patwari	Village accountant.
Rabi	Summer harvest.
Ruga	Chit.
Sahukar (Sankar)	Banker or money-lender.
Sawai	One and a quarter.
Shakar	Unrefined sugar.

Shroff	Money-lender.
Thelawala	Cartman.
Ulemas	Learned men (Scholars).
Zaildar	Government official above the village Headman and responsible for the collection of land-revenue for more than one village.



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